Why Aren't We Looking for Lessons about Producer-Buyer Relationships and Niche Markets in Non-Export Cases? Farmers and Wholesalers in El Salvador's Central Wholesale Market

by

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Submitted to the Department of Urban Studies and Planning in Partial Fulfillment of the Requirements for the Degree of

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ABSTRACT

Two trends in the development field slow resolving small farmers' difficult entry into marketplaces. The first is that in seeking to enhance small farmer competitiveness, analysts and policy makers tend to look towards production rather than marketing improvements, missing growth linkages to other sectors in which farmers become embedded through their marketing activities. The second is that where marketing is considered, there tends to be a disproportionate focus on non-traditional crops grown for specialty export markets. This paper analyzes how small farmers from the Las Pilas region of El Salvador competed against imports to become potato, cabbage and tomato suppliers to wholesalers in the national wholesale market, the Tiendona. Enduring relationships with buyers in the wholesale market created opportunities and pressures for Las Pilas farmers to market and produce a diversity of crops over the course of 25 years and stimulate linked sectors of their local economy. This type of hands-on, tacit learning about marketing contrasts with 1) supply-driven assistance programs aimed at improving production and; 2) being informed about marketing opportunities by a broker. The analysis suggests that farmer learning through marketing is as important to success in production as learning about production directly.

The Tiendona is flooded by Guatemalan and Honduran tomatoes. Long-standing sourcing arrangements between Salvadoran wholesalers and Guatemalan and Honduran growers were altered by small wholesalers' collective actions pressuring the marketplace administration to cede vending space to them. Las Pilas small farmers were then able to enter the marketplace as suppliers to the small wholesalers. The Tiendona's public, contested nature contrasts with export marketing channels where there are few public pressure points to influence marketplace policies and buyers' sourcing decisions.

Power asymmetries and coordination problems between producers and buyers can dissuade production. The case examined here finds robust marketing relationships between small wholesalers and small farmers driving crop diversification and production and marketing success.

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My wife, Tyler Haaren, and I worked together on an agricultural cooperative in El Salvador. Our reflections in late night conversations about our Salvadoran friends' Herculean work in their cornfields and defeat in the marketplace led to this research. I am grateful for her companionship and support throughout. I have also been fortunate to be able to take play breaks with my daughters, Sabina and Talia; they broke up long evenings of writing. My parents, Abigail and Paul, have always encouraged me to pursue my passions and I am thankful for their support.

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This thesis is dedicated to the Salvadoran farmers, wholesalers and their families engaged in the unrelenting and creative struggle to earn a dignified livelihood.

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INTRODUCTION

Neo-liberal policy environments of shrinking support for agriculture and freer trade have meant tough times for small farmers. To stem eroding competitiveness, it is as critical for small farmers to overcome obstacles in marketing as in production. Where they are unable to break into marketing channels, they may revert to subsistence activities such as monocropping corn, diminishing their contributions to the rural economy and undermining inclusive economic development (Kohls and Uhl 1985). Two trends in the development field slow resolving small farmers' difficult entry into marketplaces. The first is that in seeking to enhance small farmer competitiveness, analysts and policy makers tend to look towards production rather than marketing improvements, missing growth linkages to other sectors in which farmers become embedded through their marketing activities.[1] The second is that where marketing is considered, there tends to be a disproportionate focus on non-traditional crops grown for specialty domestic and export markets. In the current Central American context, these strategies refer largely to the cultivation and marketing of non-traditional agricultural exports (NTAE's) (Carter et al 1996). In contrast to traditional exports such as coffee and sugar, NTAEs are principally fruits and vegetables, characterized by their high value and high quality. Demand for these products comes principally from wealthy consumers in northern markets (Damiani 1999).

About this high-end marketing strategy there exists a rich debate: under what conditions do these ventures provide favorable outcomes for small farmers and when do they

[1] Fleming and Hardaker find a "preoccupation with production research" to the preclusion of marketing research and program design.

fail to do so?[2] A mixed track record has been discovered by researchers; small farmers seeking to market non-traditional crops for high-end markets (e.g., US and European specialty supermarkets) often face considerable obstacles.[3] Less frequently researched is under what conditions do wholesale marketplaces where crops are sold for the domestic market offer favorable outcomes for small farmers. This question takes on increasing importance in light of the above-mentioned difficulties in NTAE production and marketing.

I began this research by visiting donor and NGO programs in El Salvador that provided farmers with inputs and contacts to grow and sell NTAEs. As is standard with agricultural diversification programs, they had a production focus; contracted agronomists taught a targeted group of farmers how to grow non-traditional crops, generally vegetables. The sponsoring NGOs then sought to shorten marketing chains by offering the farmers trucks and grading and storage facilities. Results were generally disappointing: investment costs per unit were high and so the number of participants were few, returns to farmers were unsure, and growth linkages to other sectors were mimimal.

Quite by accident, while visiting an NTAE project in the Las Pilas region of El Salvador, I encountered hundreds of farmers who, over the course of two decades, had been successfully supplying vegetables to wholesalers in the country's central wholesale market. Not only were the farmer families doing well relative to the other farming regions that I had visited, but there were clearly many growth linkages here – a booming local trucking industry and above average housing stock. I was immediately curious; how did this occur? It was particularly intriguing because this growth was "naturally-occurring"; it had not been due to a donor-driven program.

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[2] See for example Damiani 1999, Conroy et al 1996, AVANSCO 1994, Barham et al 1992, Byrnes 1989.
[3] See for example Carter et al 1996, Thrupp 1995, Conroy et al 1996.

Ironically, I had been cautioned by extension agency and NGO staff about the country's central wholesale marketplace, the Tiendona. They described the Tiendona as being monopolized by large wholesalers locked into purchasing agreements with Guatemalan and Honduran vegetable farmers and run by rent-seeking municipal market administrators. The Tiendona is flooded by Guatemalan and Honduran tomatoes; conventional wisdom is that Salvadoran producers suffer from comparative disadvantages. It was a surprise then that 1200 small potato, cabbage and tomato growers in Las Pilas had been able to compete with imports and that the region owed its growth to supplying wholesalers in the Tiendona. The heart of this case study consists of researching wholesalers', farmers' and marketplace administrators' needs and roles, and examining the complex relationships between them.[4]

This exploration of these relationships draws from the tradition of economic anthropologists who have carried out ethnographic studies of agricultural markets.[5] Demonstrating that price and quantity alone are not adequate predictors of market behavior, these studies underscore the importance of relationships to explain buyers' sourcing strategies and growers' production and marketing decisions. Particularly important are "equilibrating" relationships between buyers and growers, which Timothy Finan defines as "time-tested social relationships to interpret and determine economic transactions." In his study of markets in Brazil, he saw equilibrating relationships guiding buyers' decisions to source continuously from the same farmers even when presented with short-term opportunities to switch to other suppliers. These relationships functioned "as a kind of social stabilizer" useful when risk is high and market information was restricted (Finan 1988).

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[4] This is a lens used by Harris-Pascal, Humphrey and Dolan in their study of UK retailers and African growers (Harris-Pascal, Humphrey and Dolan 1998).

[5] See for example Cook and Diskin 1975, Scott 1985, and Finan 1988.

Similar to the non-traditional agricultural export (NTAE) buyer-driven chains, production for the Tiendona follows buyers' (wholesalers', in this case) supply signals. Importantly, however, the two differ in significant ways. First, the relationships between small farmers and small wholesalers in the Tiendona are characterized by mutual need, symmetries of power, and an unusual degree of trust – the opposite of what is often found between export brokers and growers. These favorable relationships make domestic marketplaces appealing target markets for small farmers and confirm World Bank research that finds a preference among small farmers to make "old" marketing channels work rather than enter new marketing arrangements perceived as unstable and risky (World Bank 1986). A related point is also made by Scarlet Epstein in her research on urban food markets in developing countries. She found that farmers preferred assured markets that offered only moderate prices to the booms and busts of higher-risk, specialty markets (Epstein 1982).

Second, the degree and type of access by small farmers' to the two marketplaces have distinct implications for how "equilibrating" relationships are fostered between growers and buyers. Small farmer access to export markets is generally mediated by a broker with whom, as mentioned, he is in an asymmetrical relationship; the broker can often pick and choose from among many potential supply sources. In contrast, the Las Pilas small farmers, while delivering their harvests to the Tiendona for over 20 years, have had the opportunity to build face-to-face relationships with a multitude of wholesalers who sell a variety of products. Utilizing trust, loyalty, and thick networks, they have forged enduring marketing arrangements with these wholesalers.[6] The opportunities to learn about new products, their prices, and the wholesalers that sell them provided Las Pilas farmers with a source of

[6] See for example Granovetter 1973, Putnam 1993, Locke 1995, Schmitz 1998.

information to guide crop diversification and created a demand-driven pressure on Las Pilas farmers to diversify their crops.

Third, the Tiendona is a municipal marketplace – visible, public, and contested. An important piece of this story is the collective actions of small wholesalers to win vending space from the marketplace administration and construct a way around long-standing sourcing arrangements between large Salvadoran wholesalers and Guatemalan and Honduran growers. It is an unusual story because while other researchers have analyzed the joint actions of producers in facing increased global competition,[7] this is a case in which the buyers were the protagonists. On the coattails of the small wholesalers' successful pressure tactics, Las Pilas small farmers became regular suppliers to them of unique varieties of national tomatoes. Demand grew for the tomatoes and a niche market was created.

Fourth, the growth linkages emerging from NTAE ventures and domestic marketing unfold very differently (Hazell and Hagglbade 1993). While NTAE ventures may provide an income boost to the individual farmer, there are often few growth linkages to the local economy (Conroy et al 1996). In contrast, the Las Pilas farming region and the Tiendona marketplace not only had positive spillovers into linked economic activities locally, e.g., trucking, hauling, banking, and food services, but the relationship between them gave rise to important rural-urban linkages.

This paper is organized in the following manner. Chapter 1 sets the context for why it is important to revisit vegetables sold through domestic wholesale marketplaces; it looks at obstacles to viable small farmer production through marketing non-traditional crops in specialty export markets. Chapter 2 looks at the Tiendona, El Salvador's central wholesale market: why it was formed, what actors, policies and practices govern it and how it has

evolved. Chapter 3 analyzes the history and evolution of cabbage, potato and tomato production and marketing in Las Pilas and discusses the role a unique production system and native trucking industry in coordinating a steady supply of produce to Tiendona wholesalers. Chapter 4 lays out the various categories of tomato wholesalers in the Tiendona and answers the question of who they each source from and why. It shows how the Las Pilas tomato farmers became suppliers to a sub-group of the Tiendona's small wholesalers. It examines how these small wholesalers won marketing space from the Tiendona administration and large wholesalers and why the administration was vulnerable to public pressure. Chapter 5 summarizes and discusses lessons.

Research Methodology

Research for this paper was carried out during three field visits between 1997 and 1999. The research methodology was primarily qualitative, relying on face-to-face interviews with key actors: farmers, truckers, wholesalers, extension agents, marketplace administrators, mayors, bankers, NGO and donor organization representatives and agricultural analysts. Where relevant, quantitative supporting data was sought.

[7] Schmitz explores how Brazilian shoe manufacturers organized in the face of crisis (Schmitz 1998).

CHAPTER ONE

THE NEED FOR MARKETING ALTERNATIVES TO UP-MARKET AND EXPORT STRATEGIES

Over the last two decades, interest and investment in non-traditional agricultural exports (NTAEs) in Central America has risen dramatically. At the same time, enthusiasm for traditional crops cultivated for domestic markets has dropped. Patrons of the NTAE strategy such as the United States Agency for International Development (USAID) have expected that NTAEs would replace lost export earnings from decreasingly profitable traditional export crops (e.g., coffee and cotton) and would raise quality standards, transfer technology and train labor (Conroy et al 1996).[8] USAID also claimed that NTAE's offered significant forward linkages (agro-processing) and backward linkages (fertilizers and pesticides).[9] The demand side appeared promising - consumption of fresh vegetables in the US and Europe was projected to rise - and the Central American Common Market and Caribbean Basin Initiative were thought to enhance the ability of Central America growers to become suppliers to these wealthy northern markets. From a comparative advantage perspective, many parts of Central America had exceptional growing conditions for NTAE products and all had a surplus of low-wage labor. With USAID as a key supporter, NTAEs

[8] In the 1980's, GDP per capita growth declined in five Central American countries, trade imbalances skyrocketed, the region was wracked by civil wars, and a debt crisis worsened (an average of 50.8% of goods exported was paid out in principal and interest debt payments) (Conroy et al 1996). World prices crashed for the Central American countries traditional agricultural export commodities and austere structural adjustment programs dismantled subsidies and tariffs that had protected domestic agriculture. The NTAEs were touted as a policy and programmatic antidote to this gloomy picture.

[9] An analysis, however, was absent as to why these linkages were weak through traditional agricultural chains.

emerged as the dominant agricultural development strategy in the 1980' and 90's in Central America.[10]

NTAE sector investment in the Central American countries has not been without favorable results. In countries such as Guatemala and Costa Rica, the non-traditional agro-export sector is the fastest growing sector of their agricultural economies and there have been positive spillovers into other farming activities as well as non-farm activities. Joachim Von Braun finds quality and productivity improvements in subsistence crops on Guatemalan export farms (Von Braun 1989). Kerry Byrnes highlights how pressure to export has pushed farmers on a steep production and marketing learning curve (Byrnes 1989). AVANCSO studies find improvements in housing and the increased purchase of vehicles in NTAE boom areas (AVANSCO 1994).

Over the past decade, however, many farmers and development analysts have tempered praise for the NTAE boom, examining why it has had positive impacts on small farmers in some cases and why it has not in others (AVANSCO 1994, Conroy et al 1996, Thrupp 1995, Carter et al 1996). Production problems with NTAE have been amply discussed in the NTAE literature (Conroy et al 1996, Thrupp); here I draw the readers' attention to the difficulties that small farmers may encounter in NTAE marketing:

- There is a small window for trial and error learning in adopting NTAEs. A mistake in any step along the way can "knock the aspiring grower right out of the game" (Byrnes 1989). Learning to cultivate and market new products in a timely manner that corresponds to changing consumer appetites is a challenging feat. Many NTAE's require considerable

[10] "Beginning with the implementation of the Caribbean Basin Initiative (CBI) in the early 1980's every USAID mission in Central America and the Caribbean developed a non-traditional export strategy most of which were based on the establishment of Duty Free Zones in the case of industrialized exports, and all of which were based

technological sophistication in both production and marketing that may be outside the price range and know-how of small farmers. Quality standards for NTAE products tend to be extremely high with a large percentage of rejections. For specialty crops such as macadamia nuts, there may not exist a domestic market for rejects, resulting in catastrophic income loss. Public and private institutions that reduce the risk associated with farming and marketing new crops - e.g., technical assistance, credit, pest control, and insurance - may not necessarily exist or be strong enough. Where they do exist, the scarce public resources allocated to agriculture are devoted to NTAE ventures. Traditional small farmers may be left unattended.

- NTAE marketing is a buyer-driven chain characterized by asymmetries of power between buyers and growers. Farmers are often highly dependent on just a handful of buyers and by extension on a small number of consumers. In search of higher quality and lower price, buyers frequently switch to new supply sources placing farmers in a weak bargaining position (Harris-Pascal, Humphrey, Dolan 1998). Because farmers generally have no direct contact with specialty marketplaces, in environments where competition between brokers is lacking, demand signals become essentially proprietary information, filtered by a small number of brokers. Even when this market information is widely available, farmers may lack the know-how, investment capital, and marketing relationships to act on it.
- "In the prevailing enthusiasm for local producers to insert themselves into global value chains, clashes of interest between the two sides (buyers and producers) tend to be neglected" (Schmitz 1998). The root of this clash is that while buyers are interested in

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on the concept of "niche markets" and "windows of opportunity" in the case of agricultural exports" (AGRIDEC 1998).

growers learning to upgrade production techniques and product quality, they are not likely to want them to establish their own marketing channels. Independent marketing channels would put growers into conflict with existing buyers, upon whom, as previously mentioned, they are highly dependent. This locks growers into activities related solely to production, suggesting "that the argument of learning by exporting (which lies implicitly or explicitly behind the enthusiasm for integrating into global chains) has severe limits." (Schmitz 1998).

- While economies of scale for production of NTAEs may not necessarily be required – in fact the opposite is often true – economies of scale for marketing NTAEs are critical. The demands for scale tend to reduce the number of suppliers and restrict access by small farmers to the marketing chain (Harris-Pascal et al 1998).

This brief review of the NTAE experience is not intended as a comprehensive review of the literature but rather to bring to light some of the common difficulties that small farmers face when marketing NTAE products. By analyzing how these pitfalls were overcome in a domestic marketplace with a traditional crop, I will highlight elements of robust grower-buyer relationships that may prove useful to export marketing as well.

CHAPTER TWO

THE TIENDONA MARKETPLACE: THE HUB OF EL SALVADOR'S PRODUCE TRADE

Measured by volume of sales and by reputation, the Tiendona is far and away the most important vegetable wholesale market in the country. Through its overflowing stalls pass 90% of all vegetables consumed in El Salvador. For small farmers seeking to sell domestically, the ability to become a supplier to Tiendona wholesalers is the difference between success and failure. The goal of this chapter then is to explore how trade in the Tiendona and the policies that govern it have evolved and what the opportunities and constraints are for Salvadoran small farmers who seek to sell there.

The Tiendona was formally established as El Salvador's principal wholesale produce market in 1977 as a joint initiative between the capital city's (San Salvador) municipal administration and the Ministry of Agriculture. I say "formally" because it was preceded by informal markets in San Salvador's streets and plazas that served a similar wholesale function. The formation of the Tiendona was an effort to prioritize public funding for one wholesale marketplace,[11] to ease urban congestion caused by chaotic truck traffic and

[11] Ever since roads connected the Salvadoran countryside to the capital, local and regional markets have played only a subordinate role to San Salvador-based central markets. Concretely, this has meant that rather than farmers selling their occasional harvests to thin local and regional marketplaces that get quickly saturated at peak harvest times, they have traditionally hauled their harvests to the capital city on burros (in days of old), and in buses and on trucks (in the present). Once these erratic deliveries of small quantities are assembled in the wholesale marketplace, they constitute a steady supply source that is trucked back to small wholesalers in rural marketplaces. The stocking of rural marketplaces proceeds outward from the Tiendona. The Tiendona is often blamed for inventing this centralized trading pattern, relegating local and regional marketplaces to mere distribution arms rather than purchasers of local production and stunting the growth of larger service sectors that might be linked to more vibrant marketplaces. This blame is misplaced; the Tiendona only cemented this existing trading pattern.

haphazard vegetable trade and to facilitate collecting rent from wholesale vendors.[12] When the Tiendona was constructed, existing street vendors were invited to use the new facilities. When stubborn vendors held firm to their street posts, they were forcibly herded inside the Tiendona's walls by police in riot gear.

A growing informal sector fed by El Salvador's twelve-year civil war (1980 - 1992)[13] and an ongoing economic crisis have played key roles in swelling the number of Tiendona wholesalers and pressuring the Tiendona administration to open room for a retail market inside the Tiendona (Lechevallier 1997). Although the Tiendona market infrastructure is designed for wholesale activity - the infrastructure of the seven acre marketplace consists of a series of roofed loading docks with parking spaces for trucks – space for wholesaling purposes has become scarce since retailers elbowed their way into narrow spaces to sell from crates and baskets. The Tiendona administration, under social and political pressures to absorb informal retail vendors and interested in revenue from renting additional stalls, has accommodated the mushrooming number of retail vendors. The importance of the growing retail market for this story (now occupying fully half of the Tiendona's limited space) is how it has crowded out new wholesalers to whom small farmers' might be able to offer supply.

Wholesale and retail space is traded informally on a black market. Entry into the Tiendona for new wholesalers is difficult and expensive, only slightly easier for retail vendors who require less room. Physically, the Tiendona is hemmed in by a Marine base on one side, a private factory on another and a major road that passes in front. No Tiendona administration has expanded the marketplace's boundaries and curiously I found little

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[12] Rent revenue, however, still does not cover the Tiendona's operating costs. To this day, the Tiendona has never operated in the black.

[13] Rural to urban migration skyrocketed during this period.

organized pressure from wholesalers to increase its size. The smaller wholesalers claim that the larger wholesalers have no interest in expansion due to fears of increased competition.

The Tiendona administration is composed of civil servants; the highest level administrative staff are political appointees of the San Salvador mayor. The administration is supported by a team working in fee collection, accounting and marketplace maintenance – garbage collection, traffic control and security. The issue of how to manage the cramped space absorbs the lion's share of the Tiendona administration's time. On a daily basis, administrators mediate between bickering vendors and truckers competing for space. Congestion has become such an enormous problem that it dissuades retailers and consumers from purchasing in the Tiendona. Trucks move so slowly behind haulers and vendors that it can take two to three hours to purchase a few crates of tomatoes. Occasionally, the administration carries out sweeping reorganizations. Reorganization has generally meant forcibly removing retailers and small wholesalers who have spilled over into the Tiendona's thru-lanes and who have encroached on large wholesalers' spaces. To carry out reorganizations, the administration has tended to enlist the support and cooperation of established large wholesalers but these alliances are not static; they change as administration regimes and management strategies change. Tiendona administrators are not generally perceived to be neutral mediators; in the past they were alleged to have doled out space as favors and in exchange for pay-offs. Decisions about space allocations are also influenced by the collective actions of wholesalers, a topic to be examined in detail in Chapter Four.

A description of the Tiendona would not be complete without mentioning a final, defining characteristic. That is, although it is the country's national wholesale market (with a growing retail component), wholesalers' supply is dominated by imports. The imports are of

all varieties of produce but here I will focus primarily on tomatoes because national farmers have had a particularly tough time breaking in as suppliers. The growth of these imports has important implications for Salvadoran small farmers who seek to sell there.

As a small country that trades considerably with its neighbors, El Salvador is part of an integrated regional production and marketing system. Distances between El Salvador, Guatemala and Honduras are small and international highways are superior to El Salvador's internal routes. For example, Mita – which is an important Guatemalan tomato production zone – is 145 kilometers from the Guatemalan wholesale produce market and only 120 kilometers from the Tiendona. Travel to the Tiendona from Mita is on flatter terrain and better roads. Tariffs are not a barrier to trade; since 1962, Guatemala, El Salvador and Honduras have belonged to the Central American Common Market and tariffs on tomato imports into El Salvador have been low. Truckers and wholesalers adjust trading patterns to these relative distances, road conditions and border transaction costs.

Salvadoran Ministry of Agriculture data reveals that from the 1950's on (when agricultural records began to be kept), tomatoes consumed in El Salvador have been increasingly imported from Guatemala.[14] Over subsequent decades, tomato imports also increased sharply from Honduras and Mexico.[15] By 1997, 70% of tomatoes consumed in El

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[14] The massive importation of not only tomatoes but of all classes of vegetables appears to be at least partially due to production problems which have plagued El Salvador's vegetable farmers for the past three decades. The Zapotitan irrigation district, for example, was to be El Salvador's vegetable horn of plenty. Inaugurated in 1972 with heavy state investment in irrigation and extension services, within a decade an infestation of white flies had undermined production – a problem that farmers and Ministry of Agriculture staff have still not resolved and which is also emerging strongly now in the mono-cropped tomato zones of Guatemala and Honduras. The fact that this infestation broke out first in El Salvador (with the highest population density in Central America and little virgin land to shift production to) is cited by farmers and wholesalers as the reason why imports are so prevalent in the Tiendona.

[15] The white fly infestation that stymied most tomato production in El Salvador in the early 1980's has taken longer to manifest itself in Guatemala due to more abundant land on which to grow tomatoes, which has allowed farmers to seek new zones when the flies become problematic. Pest problems are now felt all over Guatemala, interfering with production of non-traditional agro exports as well. Guatemalan tomatoes, for example, are denied entry into the United States because of pest problems (interview with Bruce Brower, 1999). The success

Salvador originated from Guatemala and Honduras, 20% from Mexico and 10% from national sources (MAG 1998).

Origin of Tomato Imports in El Salvador, 1987 - 1995 in quintales (100 kilos)

Year	Guatemalan volume and % total	Honduran volume and % total	Nicaraguan volume and % total	Mexican volume and % total	US volume and % total	Year Total
1987	287,033/ 93%	21,154/ 7%	0	0	0	308,187
1988	339,475/ 97%	11,047/ 3%	0	0	0	350,522
1989	360,858/ 95%	18,400 / 5%	0	0	0	379,258
1990	306,722/ 85%	54,481/ 15%	0	0	0	361,303
1991	295,672/ 84%	54,254/ 15%	912/ 1%	0	0	350,838
1992	183,807/ 58%	134,376/ 42%	0	0	0	318,183
1993	132,524/ 39%	207,088/ 61%	0	0	0	339,612
1994	128,854/ 62%	70,750/ 34%	6186/ 4%	0	0	205,793
1995	130,740**	61,100**		38,360*		**

** Information unavailable. Complete tomato import information from 1995 on was also unavailable.
Sources: Ministry of Agricultural General Department of Economy and Department of Commercial Information.

The conventional explanation for these rising imports – that Guatemala and Honduras enjoy absolute comparative advantages in production – is, in fact, debated by Salvadoran agricultural analysts. In "Competitiveness of Alternatives for Agricultural Diversification: Fruits and Vegetables" (Ramos and Angel 1997), the authors evaluate the competitiveness of specific Salvadoran crops using cost of internal resource and cost benefit analyses. They conclude that tomatoes produced for the Salvadoran internal market are indeed competitive with those produced by other Central American countries, behind only watermelon, plantains

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of Guatemalan tomato production has not been due to relatively stronger research and extension institutions that have beat back pests with technology and organization, rather it has more likely been due to Guatemala's greater territorial expanse to hide from the pests' devastation. Wholesalers in the Tiendona have observed that Honduran tomato farms are beginning to experience similar pest problems.

and green peppers (Ramos and Angel 1997). Luis Chiodo Juve, the author of a FAO-commissioned commercialization study, discovered similar findings (Chiodo 1994). Ramos and Angel's conclusions might be questioned on a number of fronts – they did not, for example, compare the cost benefit and internal resource analyses to similar data for Guatemala and Honduras tomato production sites. Their study, however, raises caution against accepting the conventional wisdom that El Salvador is uncompetitive due to its climate, soils, and labor and input costs - the standard arguments given for the domination of vegetable imports in Salvadoran markets. Much more than an open and shut case of absolute comparative advantage, the fact that the Tiendona is stocked with imported produce is a nuanced story of how wholesalers define trading patterns in their search for a steady supply.

Once diminished Salvadoran production was unable to satisfy internal demand, Tiendona wholesalers abandoned national producers and turned to imported sources. Once import supply channels from Guatemala and Honduras were established by Salvadoran wholesalers to meet national demand, a path dependent dynamic further locked in imports. Today, in order to sell to Tiendona wholesalers, Salvadoran farmers have to break into established import channels. That is a daunting task.

Did increasing tomato imports in the 1970's start Salvadoran tomato producers' slide or was the decrease in national production the signal for wholesalers to seek imports?[16] The question of causality remains an open one. Data are insufficient and interviews with

[16] This is a rich area for research that would be well-served by considering the overall Salvadoran policy environment for agriculture:

- Investment in El Salvador's agricultural sector fell from $202.4 million in 1980 to $31.1 million in 1993. The assignment of public expenditures to agriculture relative to overall public expenditures fell from 14.1% in 1987 to 2.4% in 1993. (IICA 1997).
- Agriculture's contribution to GDP has fallen from 13.8% in 1975 to 9% in 1995. While the overall economy grew at 6.7% from 1991-95, agriculture grew at only 2.5% (World Bank 1998).
- El Salvador's irrigation potential is 279,351 hectares, yet only 25,957 hectares are equipped with irrigation infrastructure – less than 10% of irrigable land (IICA1997).

wholesalers and farmers yield contradictory explanations. And yet notwithstanding the difficult entry into the Tiendona for both suppliers and buyers, its congestion and shadowy reputation, the Tiendona remains the hub of El Salvador's vegetable trade.[17] 90% of tomatoes consumed in El Salvador pass through the marketplace's stalls (LeChavellier 1997). Regional and local marketplaces continue to be stocked with tomatoes delivered by intermediaries who purchase from the Tiendona. Like it or not, Salvadoran farmers who wish to sell domestically must learn to negotiate the challenging waters of the Tiendona. How the Las Pilas farmers learned to do this is the subject of the following chapter.

[17] The Tiendona's supremacy, however, may be starting to unravel due to the rise of supermarkets. Supermarkets did not begin to become serious competitors with the Tiendona until the late 1980's. At present, there are 61 branches of 5 supermarket chains (national and regional) in the country (Lechevallier 1997). For now, many supermarkets are supplied by produce that first comes through the Tiendona. To dissuade supermarkets from establishing sourcing arrangements directly from growers, Tiendona administrators have engaged in numerous internal reorganizations to reduce congestion and have sought investments for marketplace modernization. Policy-makers have also proposed moving the Tiendona to a less congested location. How the Tiendona will fare against supermarkets with independent supply sources in the future is far from clear. H.S. Goapala Rao and A. Maheswari track a decreasing role for wholesale markets in Karnataka, India. They predict that wholesale markets will diminish with the rise in consumer tastes for finished (not raw) products and due to greater market decentralization.

CHAPTER THREE

LAS PILAS FARMERS BECOMING SUPPLIERS TO THE TIENDONA: A BRIEF HISTORY OF LAS PILAS PRODUCTION AND TRUCKING

With various supply options open to a Tiendona wholesaler, a farmer's ability to sell there can be traced to the strength and number of relationships to buyers, the farmer's ability to satisfy supply requirements and the degree to which asymmetries in power between these two actors can be minimized (Harris-Pascal et al 1998). A difficulty that farmers frequently encounter is that these relationships are often hard to initiate – if a wholesaler has existing suppliers, he may be disinterested in new suppliers. Small farmers who cannot provide the wholesalers with a steady supply in the volumes and quality they seek may have a tough time breaking in as new suppliers – as is the case for atomized small farmers facing diseconomies of scale in marketing. In contrast to these pessimistic prospects for small farmers, Las Pilas' small farmers currently provide all of the country's domestically-produced tomatoes to small wholesalers in the Tiendona. How were Las Pilas farmers able to get wholesalers to purchase their supply and how were they able to overcome production and marketing hurdles to be able to guarantee these wholesalers a steady supply? Farmers from other areas I visited sighed deeply when asked about the Tiendona, describing layers of intermediaries that robbed their margins. They placed blame on the marketplace for their economic woes. In contrast, Las Pilas farmers trace their region's relative prosperity directly to the Tiendona and have found a workable peace with the intermediaries. What accounts for the different experiences? What

insight does the Las Pilas-Tiendona experience offer for what makes for relationships of mutual gain between producers and wholesalers?

Production in the Las Pilas Region: Crop Diversification and Market Trade

Motivated by relationships with a range of Tiendona wholesalers selling a diversity of products, tomatoes are the most recent in a series of crops that Las Pilas farmers have grown for market. Located on the Honduran border approximately a five-hour drive to San Salvador (150 km), the Las Pilas region consists of over five thousand acres of cultivable land. It sits at approximately 6700 feet above sea level - the highest elevation production in El Salvador. The population consists of approximately 1200 families, all of whom work directly or indirectly in agriculture, 25% of whom work in tomatoes. Farming plots are small, ranging from one third of an acre to two acres.

Las Pilas sits in a remote mountain valley. To this day, road access is poor and has contributed to the area's isolation. This isolation would seem to make Las Pilas an unlikely region to have produced farmers so comfortable with cash crops and markets, particularly when subsistence agriculture is so dominant in other parts of El Salvador. Las Pilas' high altitude and abundant surface water endow the region with production advantages relative to El Salvador's lower-lying regions. Las Pilas' elevation also means that corn – the typical peasant crop in El Salvador - grows slowly and that there exist incentives to find better-adapted crops.

Las Pilas farmers described to me how their grandparents supplemented subsistence corn and beans with wheat, garlic and peaches loaded on mules for the three-day trek to San Salvador markets. Some twenty-five years later, Las Pilas farmers supplemented these crops

with potatoes, followed shortly by cabbage. Other cash crops like marijuana and timber have contributed to farm capitalization and an exposure to marketing. Tomato production began approximately only eight years ago.

After over twenty-five years of growing potato and cabbage, why were tomatoes attractive to Las Pilas farmers? As is standard in many marketing arrangements, the Tiendona wholesaler pays upfront for only a percentage of the truckload he purchases from the farmer. In the case of cabbage, the farmer must wait two days until the entire truckload is sold to receive the remainder. Whereas a cabbage patch is harvested twice during a three month growing period and a potato patch once, tomato plants provide up to a dozen harvests over a four to five month growing period. The twelve small harvests are each unloaded in an afternoon; time lost selling in the Tiendona is minimized. Because sales are of smaller quantities and stretched out over a longer time period than cabbage and potatoes, even a farmer who receives poor prices on half of the harvests (prices are highly variable), may gain on the other half. As one producer told me, "sometimes, it's the smallest truckload of tomatoes in the middle of the harvest on which you make the most money. Even if the rest of the time you lose, on the one good one, you can win big." Significantly, the success in tomatoes has not meant the abandonment of cabbage and potatoes. Preferring to rotate crops and hedge against variable prices, farmers have chosen to grow a diversity of old and new crops.

The agricultural development literature frequently cites the role of outside agents such as extension agents, brokers or input suppliers in promoting diversification (Byrnes 1989, Harris-Pascal et al 1998). It is therefore somewhat surprising that the diversification found in Las Pilas happened without "supply-side" public and private programs providing agricultural

inputs, know-how and technology to a targeted group of small farmers. Here, what motivated Las Pilas farmers' diversification were the frequent visits to the Tiendona where they could see other products, learn firsthand their selling prices and most importantly, build relationships with wholesalers selling those products. In many cases, it was the wholesaler that either advanced seed or alerted the farmer as to the varieties that would sell best. To break into tomatoes, Las Pilas farmers were able to capitalize on their familiarity with the Tiendona and the relationships they had built with potato and cabbage wholesalers.

The Las Pilas "a medias" production system

How did the relationships of production between Las Pilas farmers contribute to their ability to become suppliers to the Tiendona? I will argue that the "a medias" (halves) production system, prevalent in Las Pilas, has played a pivotal role in teaching small farmers how to market their harvests in the Tiendona. The "a medias" system emerged in the Las Pilas region some 25 years ago when cheap local potato seed became scarce. In search of seed, a handful of relatively better-capitalized, entrepreneurial farmers traveled to Guatemala. Upon their return, these farmer-entrepreneurs advanced seeds to the capital-poor farmers in exchange for labor. Today, well-capitalized farmers advance inputs to one or many "medieros" (small growers without capital) and supply the truck to transport the harvest(s) to the Tiendona. I argue here that this modified share-cropping system[18] has 1) provided working capital and critical inputs to increase production – it began with seeds but has now generalized to all manner of capital inputs; 2) has increased the number of Pilenos able to

[18] The "a medias" system is not a sharecropping system compensating for landlessness. In fact, the small grower (the laborer partner) generally owns a small parcel but it may lack irrigation, be far from the road or he may not have the capital to work it properly. There is much to say about the "a medias" system; it merits additional research.

build relationships to Tiendona wholesalers by exposing even poorly capitalized farmers to the Tiendona; 3) the capital partner, by staggering production among medieros and combining small harvests into marketable volumes has helped the Las Pilas farmers overcome marketing diseconomies of scale and has enabled farmers to guarantee steady supply to wholesalers; and, 4) has woven relationships among Pilenos useful for production and marketing – a powerful ingredient of regional identity. Regional identity becomes an important category to the extent that it has coordinated production and marketing and thereby guaranteed steady supply to wholesalers.

As this is primarily a marketing story, the feature of the Las Pilas "a medias" system that I am most interested in is how it exposes a large pool of small farmers to the Tiendona. They have relatively greater involvement in the marketing process than farmers in most other parts of El Salvador. Las Pilas small growers accompany the capital partner to the Tiendona to negotiate with the wholesaler and unload the harvest. Because the Las Pilas economy has been steadily growing, it has not been uncommon for a "mediero" in Las Pilas to accumulate sufficient capital to purchase a truck and, on a modest scale, to begin his own "a medias" relationships. He can then take advantage of the relationships he developed with wholesalers when still a mediero. In this sense, the "a medias" system functions as a sort of mobility ladder.

It is interesting to note that farmers do not show a proprietary guardedness about sharing their wholesaler relationships. Other cases could be cited in which farmers' relationships to their buyers are closely defended. The explanation for this difference is that even well-capitalized Las Pilas farmers understand wholesalers' requirement for a significant volume of steady supply and that no one farmer, even with many "medieros", can meet this

requirement. In large part this is due to land ownership patterns in Las Pilas; as mentioned, holdings are generally small. By facilitating smaller growers' ("medieros") access to wholesalers, the capital farmer stands to gain – that is, the wholesaler does not look for supply sources from other regions. The environment of production becomes one of cooperative self-interest among Las Pilas farmers to meet supply requirements as a group rather than one of competition to box one another out. The Las Pilas farmers' common project has woven tighter networks and strengthened a sense of regional identity. It has underscored the need for a rising tide to lift all boats.

Many Las Pilas small growers commented to me that it is the rare farmer in Las Pilas who has not been to the Tiendona and has not directly negotiated with wholesalers. Las Pilas farmers "aren't scared of the Tiendona," one farmer told me. This exposure to the Tiendona is in sharp contrast to the majority of rural areas in El Salvador where farmers told me that they had tried to sell a small volume to a wholesaler in the Tiendona, failed and never returned.

The Las Pilas "a medias" production system dovetailed well with the native trucking industry, a topic discussed in the following section.

The Local Trucking Industry: Growth linkages to agriculture

An unusually large local trucking industry is an important part of what makes the "a medias" system work. It has facilitated the Las Pilas farmers' ability to build direct relationships with Tiendona wholesalers and administrators, amass marketable volumes and guarantee the wholesalers a steady supply. This subsection answers the question of how this

industry came to grow and what have been the impacts of the trucking industry on Las Pilas farmers' ability to market their produce through the Tiendona.

Local trucking industries are absent in most of El Salvador's countryside, the only actor in the marketing chain who small farmers generally meet is the roving external (though Salvadoran) trucker who travels from farm gate to farm gate purchasing and assembling small harvests. In contrast, these external truckers generally do not come to Las Pilas farms to buy. They seek more accessible regions with larger farms, primarily in Guatemala and Honduras. Las Pilas' difficult road access and relatively small volumes of harvest grown on small parcels (as compared to Guatemala and Honduras) have discouraged outside intermediaries from coming into the region; assembly costs are higher and they risk damaging their vehicles on the poor roads. The fact that many Las Pilas farmers have purchased trucks and double as truckers (and in the cases when they don't, as mentioned previously, they at least accompany a neighboring farmer/trucker to the Tiendona) has increased Las Pilas' farmers' exposure and relationship to wholesalers, marketplace administrators, and to a lesser extent, final consumers. Importantly, farmers who become truckers are not full-time truckers; they remain actively involved in the business of farming.

The Las Pilas trucks have been purchased by farmers who accumulated capital over twenty-five years of slow and steady sales of potatoes and cabbage in the Tiendona. Today, Las Pilas has an astoundingly high ratio of trucks per farmer. A CLUSA study found over 130 trucks in the region (Mendoza 1995) while Luis Juve Chiodo finds 250 registered vehicles (Juve 1998). Given the fact that there are approximately 1200 farming households in the region, 11% or 21% of households owning trucks represents a truck density much higher than that found in other parts of El Salvador. Interviewees confirmed the fact that very few

of these trucks were purchased with remittances sent back by family members working in the United States; the vast majority was purchased with capital accumulated through success in timber, potatoes, cabbage, marijuana and, most recently, tomatoes.

The transportation of goods out of Las Pilas to the Tiendona adds approximately 30% to production costs. Rather than pay this margin to out-of-area truckers, Las Pilas farmers have invested in local trucks. Trucks are well distributed with few families owning more than two trucks. Monopsonies have not developed.[19] Abundant, local trucks have enabled farmers to sell harvests in times of low prices (to at least recover production costs) when an outside trucker would have little incentive to make the arduous trip to Las Pilas. In times of price spikes, farmers can also quickly assemble truckloads to take advantage of the favorable market. Also important for Las Pilas' economy is the fact that truckers backhaul agricultural inputs and household items to be sold in Las Pilas.

Relatively better rural infrastructure in El Salvador has historically been located in areas that export coffee, cotton and sugar. Las Pilas does not produce these products and has not, until recently, received these infrastructure improvements. The growth of the local trucking industry can at least be partially credited to the poor road infrastructure. Some people in Las Pilas conjecture that in order to grow the local trucking industry, local political pressure to improve the road has historically only been half-hearted. It is only in the past few years, with mushrooming numbers of Las Pilas farmers owning vehicles and seeking to reduce wear and tear, that there has been mounting pressure to improve the road.[20] Although recent road improvements have resulted in the arrival of more outside truckers; outsiders are

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[19] Under what conditions they tend to emerge is an important research question not answered here.

[20] Road improvements were recently won through a combination of Las Pilas residents organized pressure on local authorities and perhaps more importantly, USAID's support of a small but visible NTAE project in the Las Pilas zone. USAID financed the road improvements.

not perceived as a threat by Las Pilas truckers. That is, in spite of competition, internal trucking arrangements have already taken root and maintain themselves due to long-standing relationships and competitive prices. In any case, the outside truckers tend to arrive only when prices are high in the Tiendona. These high prices generate excessive demand for transportation from Las Pilas to the Tiendona and the outsiders are welcome hands to transport the excess capacity that local truckers can't accommodate.

In summary, the Las Pilas truckers' (who double as farmers) are the critical bridge by which farmers are able to sell their produce. Being local and farmers themselves, these truckers have first-hand knowledge of the challenges to successful tomato production and marketing. An interdependency exists because in the long run, as the tomato sector grows or contracts, so does the trucking industry and vice versa.

CHAPTER FOUR

LAS PILAS FARMERS BECOMING SUPPLIERS TO THE TIENDONA: DISCOVERING A FIT WITH SECONDARY WHOLESALERS

This chapter is the second of two parts on how Las Pilas farmers became suppliers to the Tiendona; whereas the first analyzed conditions in the Las Pilas farming region, the departure point here is what happened to the Las Pilas farmers once they entered the Tiendona with their truckloads of tomatoes. Until now, I have provided the reader with a sense of how Las Pilas farmers and truckers were able to overcome obstacles to production and transportation to market and the critical problems of offering a steady supply. A fundamental question still looms: how were Las Pilas farmers able to break in as suppliers with Tiendona wholesalers? If the reader recalls from Chapter Two, these wholesalers were already wedded to supply sources from Guatemala and Honduras from whom they were able to obtain a steady supply in volumes high enough to minimize coordination problems and satisfy consumer demand. To answer the question of how they became suppliers to Tiendona wholesalers, I will do what the Las Pilas farmers and truckers were implicitly forced to do: disaggregate the wholesalers and analyze their surprisingly diverse supply needs and supply channels.

Wholesaler Overview

Veteran Las Pilas farmers can remember times prior to the Tiendona (pre-1977) when they hauled their wheat, peaches, and potatoes to San Salvador's plazas. As described in

previous sections, San Salvador's markets have always been a big draw for Las Pilas farmers – the pattern of local and regional markets being supplied from San Salvador is an old one, predating even the Tiendona. These Las Pilas farmers tell of how increases in their production of potatoes and cabbage were closely correlated to the establishment of steady buyer-grower relationships and increases in demand from San Salvador marketplaces. The relationships that Las Pilas potato and cabbage farmers had with informal San Salvador vendors were given continuity when these vendors took up permanent marketing posts within the Tiendona.[21]

When Las Pilas farmers began to produce tomatoes in 1990, they were already familiar with the steps necessary to sell their produce in the Tiendona. Through the experience with cabbage and potatoes, they had learned how to truck their produce to market, how to build relationships with wholesalers, and when and how to interact with the Tiendona administration (more on this point follows later in this section). The tomatoes, however, presented new marketing challenges, a sharp divergence from their potatoes and cabbage experience in which imports had not yet crowded out national suppliers.

By 1980, when national tomato production - particularly from El Salvador's Zapotitan irrigation district - had plummeted (described in Chapter 2), Tiendona wholesalers looked increasingly to Guatemalan and Honduran tomato farmers from whom supply was steadier.

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[21] At that time, the Tiendona was not nearly as crowded as it is now and a farmer or trucker could park there and sell to wholesalers or final consumers. Las Pilas farmers, however, rather than spend two or three days attempting sales to unknown clients, preferred to sell truckloads to wholesalers they knew and who had permanent customers. That they didn't prefer to be direct sellers is an interesting finding. Desiring to help farmers increase their incomes, many donors assume that farmers want to be direct sellers and therefore they design projects to cut out intermediaries, whether truckers or wholesalers. In contrast, I met a well-capitalized vegetable producer, who instead of vertically integrating marketing functions into his business, chose to embed his marketing in existing intermediary networks. He desired both their expertise and to avoid their active opposition. His research question to me was: when is vertical integration a sound strategy and when might it be damaging for donors to assist farmers in absorbing an intermediary's role for which they may not have the expertise, capital and relationships to sustain?

By 1990, when Las Pilas farmers began to produce tomatoes in marketable quantities, their national tomatoes had to compete with foreign tomatoes to find a place in wholesalers' stalls. How and from whom did Tiendona wholesalers obtain their tomato supply and what could Las Pilas farmers do to compete?

There are approximately 42 tomato wholesalers in the Tiendona (Lechevallier 1997). Twenty-six are primary wholesalers while 16 fall into the category of small or secondary wholesalers. I define primary tomato wholesalers as those who own trucks or contract truckers to haul imported (generally Guatemalan and Honduran) produce to their vending stalls in the Tiendona. The primary wholesalers own a number of connected stalls combined into a small warehouse. In some cases they finance tomato production in Guatemala and Honduras (though quite different than the "a medias" system; the wholesaler financiers are not farmers embedded in the regions which they finance). They work in high volumes, tend to be relatively well-capitalized, own telephones and have twenty years of steady presence in the Tiendona under their belts. These primary tomato wholesalers sell 90% of the tomatoes found in the Tiendona, all of which are imported from Guatemala, Honduras and to a lesser extent, Nicaragua and Mexico.

In contrast, small or secondary wholesalers are those who sell smaller volumes than the primary wholesalers, who lack a loading dock and/or parking space for a truck, who don't own a truck or have much capital and who, in general occupy poorly located, illegal spaces not contemplated as vending stalls in the original layout of the Tiendona. Approximately half of the secondary wholesalers rely on the primary wholesalers for their supply, receiving the imported tomatoes on a consignment basis. The other half of secondary wholesalers obtain supply directly from Las Pilas producers. Las Pilas has been the only region in El Salvador to

become a steady supplier to the Tiendona's secondary wholesalers and Las Pilas tomatoes make up nearly 100% of the 10% of national tomatoes sold in the Tiendona.

The following sections examine each of these categories of wholesalers separately. As the reader will see, they operate distinctively and require different types of supply.

The Primary Tomato Wholesalers and their trade association: the Tomato Cooperative

Las Pilas farmers struck out with the Tiendona's 26 primary wholesalers. To this day, Las Pilas farmers have not been able to entice them to change over from their Guatemalan and Honduran supply sources. An analysis here of the primary wholesalers supply sources and varied methods of obtaining tomato supply will provide readers with a sense of some of the obstacles that the Las Pilas farmers faced.

Primary wholesalers obtain supply in the following ways:

1. Near harvest time, the Salvadoran wholesaler may set off for Guatemala and Honduras in a rented or owned five or eight ton truck, and secure tomatoes by purchasing on a per crate basis from the farmer.[22] Payment and credit methods vary though most common is for the wholesaler to pay the farmers in cash upon receipt. Wholesalers tend to purchase from a region where they have built relationships with many suppliers. Supplier switching within a region is common; less common is for wholesalers to build relationships from scratch in new regions (which may happen in times of catastrophe – when a white fly infestation or a flood destroys a region's supply.)[23]

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[22] Salvadorans are widely considered to be Central America's most tireless merchants.

[23] Such was the situation after Hurricane Mitch in 1998. Imports from Guatemala and Honduras were cut off, creating an unusual situation where wholesalers were scrambling for supply and small national producers could arrive at the Tiendona and rural marketplaces and easily sell their harvests (Barraclough and Moss 1999). This

2. Earlier in the production cycle, while the tomato is still growing on the plant, the Tiendona wholesaler may purchase a designated acreage of standing crop and take over both the financing and labor functions of the grower e.g., final fertilizations and harvest. Payment to the farmer is generally staggered between an initial deposit and a payment after harvest.
3. Less commonly, the Tiendona wholesaler rents land in Guatemala or Honduras, assumes responsibility for the entire production process, imports the harvest and sells it through his Tiendona stall. Through this procedure, the wholesaler essentially becomes a producer/trucker/seller.
4. Guatemalan and Honduran truckers arrive at the Tiendona in their own trucks to sell entire truckloads that they've assembled to the primary wholesalers. The Guatemalan and Honduran truckers pay a parking fee to the Tiendona administration plus an access fee to the Tomato Cooperative - the organization of the primary wholesalers (discussed below).
5. Without purchasing the trucker's load, the primary wholesalers may rent out their parking space to trucks arriving from Guatemala and Honduras and charge the truckers a set amount for the right to sell from their parking space. Such an arrangement is more likely to occur when the prices are low and the primary wholesaler doesn't feel that he will earn a good margin, if his truck is broken down, or if he is simply looking for a low risk way to earn extra cash.

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momentary foot in the door, however, will require persistent follow-up to break into the Tiendona as a regular supplier. Enduring production and marketing patterns and buyer-grower relationships similar to those found in Las Pilas would matter a great deal in turning this stroke of luck into a reliable marketing arrangement.

A description of the Primary Wholesalers would be insufficient without also describing their trade association, the Tomato Cooperative. The Tomato Cooperative was established in 1996 as a membership association of wholesalers and truckers, including Guatemalan and Honduran truckers. Benefits to members include small loans, discounted diesel fuel and truck parts and inputs and credit to their regular suppliers. The Tomato Cooperative functions as a lobbying group as well; they enjoy a close relationship with the Tiendona administration and lobby to preserve and expand vending space in the market. They wield considerable power on the Tiendona's user committee and are highly visible within the Tiendona's social fabric. They help the administration carry out reorganization initiatives and head up "community-building" activities such as the Tiendona's annual dance and beauty contest.

Reflecting on the supply strategies of the primary wholesalers outlined above, one can detect fairly easily the difficulties that Salvadoran small farmers face in satisfying their supply requirements. The primary wholesaler's principal interest is to satisfy consumer demand with steady supplies of large volumes at competitive prices. Salvadoran small farmers, up until the surge in Las Pilas production eight years ago, could not meet a large demand. Though the primary wholesalers told me that, in principle, they would prefer to stock Salvadoran produce, in practice it is the Guatemalan and Honduran farmers who have been able to meet their requirements for a large and steady supply.[24]

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[24] To be suppliers to the primary wholesalers in the style to which the wholesalers are accustomed also means that Las Pilas farmers would have to consider these wholesalers' desire to play a larger role in the production cycle - just as they do in Guatemala and Honduras. This form of production – in which Pilenos might rent wholesalers their land or go "a medias" with wholesalers rather than with local farmers - has yet to be tested in Las Pilas, but the size of farms and extensions of land planted in Las Pilas appropriate for tomato farming may not be of a scale sufficiently attractive for the primary wholesalers. It also may or may not be acceptable to the Pilenos themselves. An interesting piece of research here would be a more in depth look at the primary wholesalers operations, when and why they choose to vertically integrate into production. Due to limited time in the field, I only scratched the surface of this question, discovering that the wholesalers seeking to integrate into

A question perhaps occurs to the reader. Instead of trying to meet the primary wholesalers' requirements, why didn't Las Pilas farmers or any Salvadoran tomato farmer for that matter simply show up at the Tiendona, bypass the wholesalers and hawk their produce from a truck bed? The answer is threefold. The first part is that Las Pilas farmers prefer not to be sellers – they lose time and do not have the customers and expertise. The second is the fact that existing wholesalers may drop prices precipitously, pop tires or threaten bodily harm to dissuade competition and protect their turf. The third is that there is simply no available space. These last two constitute tremendous asymmetries of power and barriers to entry. To garner a modicum of security that he won't get stuck with a truckload of rotting tomatoes, the farmer has no choice but to sell through wholesalers – if the wholesaler is interested in his supply.[25] How then did the Las Pilas farmers and truckers find wholesalers interested in their supply? This is the story told in the following section.

The Secondary Tomato Wholesalers and their Trade Association: the National Tomato Wholesalers Association

As a reminder to the reader, secondary wholesalers are those who sell a smaller volume than the primary wholesalers, who lack a loading dock and/or a parking space for a truck, do not own a truck, are poorly capitalized and who in general occupy illegal or marginalized spaces in poor locations. They 32% of the wholesalers and sell approximately 10% of the total volume of tomatoes sold in the Tiendona (which is 100% of the national

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production were the largest wholesalers, those who could afford to risk investment capital in search of windfall profits if the price spiked of the tomatoes which they had produced.

[25] Another option would be for the tomato producers to sell to supermarkets or export markets, but entry costs and quality requirements to these markets may be prohibitive. A specific limitation with respect to the Salvadoran supermarkets is that even if a farmer were able to satisfy their quality and volume requirements, they tend to pay with check and credit, often waiting 30 days after delivery to make payments. For this reason, many small farmers and even wholesalers find it impossible to work with them (Lechevallier 1997).

tomatoes sold in the Tiendona). Approximately half of the secondary wholesalers rely on the primary wholesalers for their supply, reselling imported tomatoes on a consignment basis. They perform a service to the primary wholesalers –serving as a distribution network that allows the primary wholesalers to move large volumes out of their stalls quickly.

The sub-group of secondary wholesalers that sell national tomatoes explained to me that they sought independence from the primary wholesalers, choosing not to sell imported tomatoes on consignment. Though a riskier venture, possibilities for higher margins were greater, (a point explored in detail later in this chapter). This sub-group faced high barriers to entry into the Tiendona. Their informal and often illegal vending stalls were subject to confiscation during the Tiendona administration's reorganizations and they were disliked by their more powerful competitors - the primary wholesalers (and their organized body, the Tomato Cooperative). In this section, I will discuss how the sub-group of secondary wholesalers who stock Las Pilas tomatoes broke into the Tiendona, how they negotiated with the Tiendona administration and the Tomato Cooperative for vending space and why purchasing their supply from the Las Pilas growers was an attractive choice for them.

Circa 1990, the first Las Pilas tomato farmers to arrive in the Tiendona were able to identify a woman, Vilma Erazo, to stock their tomatoes. She was a poorly-capitalized, small wholesaler working a stretch of sidewalk in the Tiendona from where she sold imported tomatoes advanced to her on consignment by the primary wholesalers. She agreed to purchase the Las Pilas tomatoes at a discounted price (relative to the cost of imported tomatoes).

Las Pilas farmers also found a willing buyer in Marco Gutierrez, a native of the Las Pilas region. His story illustrates the power of local loyalty and the importance of networks

that tie a farming region to urban wholesalers. Mr. Gutierrez was one of many Pilenos who, during the over twenty years during which Las Pilas farmers and truckers have been selling their produce in the Tiendona, climbed down off the delivery truck, left off farming and did not to return to Las Pilas. Instead, he stayed on in the Tiendona as a wholesaler's assistant carrying out duties such as hauling, crating, grading, and selling. After working for many years in the stalls of cabbage and potato wholesalers, he purchased his own stall on the Tiendona's black market. Laborers and small wholesalers of Las Pilas origin are dispersed throughout the Tiendona and both purchase Las Pilas products and talk up Las Pilas' production virtues to wholesalers and consumers. Embedded in the Tiendona, these Pilenos become spokespeople for the region and boosters for their products. They create confidence in the region's ability to guarantee steady supply and are an important source of publicity for the Las Pilas "brand" name. Significantly, they also introduce Las Pilas farmers/truckers to other Tiendona wholesalers in other product lines, thereby feeding Las Pilas farmers' motivation and prospects for diversifying their crops. Today, approximately 20% of the secondary wholesalers are, like Marco Gutierrez, from the Las Pilas region.

Vilma Erazo and Marco Gutierrez' customers (supermarkets, corner stores and final consumers) liked the Las Pilas product. It is a different variety than the Guatemalan and Honduran tomatoes –a softer exterior and a higher juice content.[26] It does have a shorter shelf-life than the Guatemalan and Honduran varieties, but since Las Pilas deliveries are frequent and the secondary wholesalers don't stock much surplus inventory, this is not a major concern. With an increasingly secure marketing channel and a growing demand for their product, production in Las Pilas has grown. That is, there was no "big bang" when Las

[26] Varieties consumed in El Salvador include Santa Cruz, Santa Clara, Peto UC-82, and Bute. Santa Clara and Santa Cruz are produced in Las Pilas; Bute and Peto are grown in Guatemala and Honduras.

Pilas tomatoes suddenly rained down on the Tiendona, but rather year-by-year, Las Pilas tomatoes gained a larger toehold. The volume of Las Pilas production and the number of secondary wholesalers has risen together to the point where today, over 250 Pileno farmers grow tomatoes to sell to the 16 secondary wholesalers sell them. Over 30 pick-up trucks leave the Las Pilas region each day for the Tiendona.[27]

My argument here is that the driving force behind production increases in Las Pilas has been: 1) the small wholesalers' ability to operate in a marketplace from which the Las Pilas farmers' products otherwise might have been excluded and; 2) the small wholesalers' ability to satisfy and expand consumer demand for Las Pilas products. Las Pilas production increases followed on the heels of the secondary wholesalers' penetration into the Tiendona.

Collective Action by Secondary Wholesalers: Fighting for vending space in the Tiendona with the Primary Wholesalers and the Marketplace Administration

While there exist accounts in the literature on cooperatives and collective action exploring how farmers secure marketing channels through cooperative efforts (Hirschman 1984) little is written about how wholesalers secure their marketing channels, what forms of organization and action they use to open and protect these marketing channels and what the impact of these actions are on farmers' marketing opportunities. I am principally interested in the collective activities of the secondary wholesalers because the fortunes of the Las Pilas

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[27] Only in the months of February and March are tomatoes from Las Pilas in short supply due to irrigation deficiencies in the region. During this period, the secondary wholesalers sell the primary wholesalers imported tomatoes on consignment. It appeared to me almost contradictory that Las Pilas farmers could maintain a largely exclusive relationship with secondary wholesalers without offering year round supply. However, in my interviews with small wholesalers they told me that the 9 – 10 months of steady supply from Las Pilas were adequate for running their business. They could make ends meet in the intervening months by selling primary wholesalers' tomatoes on consignment. Interestingly then, the dominant import market is key to the secondary wholesalers' ability to survive by selling Las Pilas tomatoes – it fills gaps in Las Pilas' production. Although in

farmers were so closely tied to the fortunes of the secondary wholesalers (though as noted in the previous section, the Tomato Cooperative too engaged in collective actions). The generalized principle beyond the Las Pilas case is that success in production requires first overcoming marketing barriers.

In 1996, the secondary wholesalers of national tomatoes found that they could best stabilize their livelihood by affiliating with a powerful and visible national trade union federation – the National Union of Salvadoran Workers (UNTS) – and by subsequently, in 1997, forming the National Tomato Wholesalers Association. The UNTS is a left-wing federation whose organizers in the Tiendona were ambitiously seeking out new members in the informal sector. The UNTS' local in the Tiendona is composed not only of tomato wholesalers, but haulers and retailers as well. From the organizers' perspective, because the secondary wholesalers of national tomatoes were both under threat (by the Tiendona administration and the Tomato Cooperative) and standing on the moral high ground (by choosing to "sell Salvadoran"), they were ideal candidates for organization.

There were two principal disputes that made it necessary for the secondary wholesalers to organize; the first was over the legality of their vending stalls. The Tiendona administration had threatened the secondary wholesalers with forced removal because they had extended their vending spaces into the parking spaces of Tomato Cooperative members. The second dispute was with the Tomato Cooperative over parking fees. With the consent of the Tiendona administration, the primary wholesalers assessed a $12 tax/truck on every tomato delivery truck entering the Tiendona that was not a member of the Tomato

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the interviews, secondary and primary wholesalers spoke disparagingly about one another, there is clearly much unspoken cooperation.

Cooperative. These included Honduran and Guatemalan delivery trucks and trucks arriving from Las Pilas.

It is worth inquiring why an industrial union federation with a membership base primarily composed of factory workers would devote resources to organizing informal sector, "petty-bourgeois" shopkeepers in the Tiendona. In interviews, the UNTS organizers claimed to be defending the rights of the poor and searching for new members. Events in the Tiendona were one part of a larger political drama in which thousands of San Salvador street vendors were threatened with relocation in a municipal effort to modernize the city center. It has not been uncommon for vendors to throw stones at riot police, with the backing of trade unions, as they fight to preserve their street livelihoods.[28]

Beyond organizing this sector, the UNTS also had a bone to pick with the San Salvador mayor, Hector Silva. Mr. Silva belonged to a reform tendency of the same political party to which the UNTS was affiliated, the Farabundo Marti National Liberation Front (FMLN). The UNTS, on the other hand, played a leadership role in the Party's "orthodox" (Marxist) faction. The Tiendona, as a municipally-run marketplace visible in the public eye, was not a bad point of entry from which to pull informal workers' support away from the Mayor's faction. The UNTS' strategy was to paint the mayor's appointee – the Tiendona administrator - as taking the side of powerful wholesalers who boxed out Salvadoran small farmers and small wholesalers and who threatened to dislodge retailers. Mr. Silva was vulnerable because he had run on a platform of trade union solidarity and support for informal sector workers. It was perhaps the prospect of exposing this contradiction and being able to

[28] During the last two decades, throughout Latin America, there have been many pitched street battles as municipal administrations seek to formalize informal retail trade.

win a quick victory that made organizing the secondary wholesalers particularly attractive to the UNTS' organizers.

It is interesting to note that the initial insertion of most secondary wholesalers was not accomplished through affiliating with the union or by engaging in other forms of collective action. As is common in the case of newcomers – Vilma Erazo and Marco Gutierrez are cases in point - one by one these wholesalers tended to find their way into the secondary wholesale section of the Tiendona. Some obtained stalls legitimately, by soliciting them from the Tiendona administration. Others bought stalls on the black market from existing wholesalers and retailers while still others had a relative or work buddy who provided them with a couple of square meters to begin to sell. It was not until these individuals faced external aggression as a group – when the Tiendona administration attempted to strip them of marketing space and when the Tomato Cooperative charged a tax on their suppliers' trucks - that they began to pursue strategies of collective action (also seen in Fox 1996).[29]

The National Tomato Wholesalers Association, with support from the UNTS, won both of these campaigns. The secondary wholesalers secured an agreement with the Tiendona administration, to which the Tomato Cooperative is also a signatory, guaranteeing the present and future security of their selling stalls and opening up a limited number of new ones. They also won an exemption from the vehicle tax assessed by the Tomato Cooperative on Las Pilas trucks (leaving only the Guatemalan and Honduran truckers to pay). The National Tomato Wholesalers Association would have been unlikely to win these campaigns without the

[29] The fact that these vendors often do organize and act collectively in a sustained way when an external threat exists has been noted previously in development literature (e.g., Schmitz 1999, Hirschman 1984). The lesson here is that even if evidence of collective action does not seem to be a primary factor in the entrance of individuals into a new economic activity, one may want to probe into the collective actions towards preservation when the group's integrity is threatened.

considerable resources and experience of the UNTS, their organizing sophistication, political muscle, media contacts, and connections with policy-makers.

During the course of both campaigns, the secondary wholesalers framed their campaign in patriotic language: that domestic producers ought to be given entry into their own national market. The UNTS attracted considerable media attention to the trade imbalance in El Salvador's wholesale market. The secondary wholesalers and the UNTS made the fact that the Tiendona sells very little domestic produce a source of embarrassment for the Tiendona administration. In the press and in discussions with the administration, they painted the primary wholesalers as unpatriotic for stocking only foreign tomatoes. In the end, the administration and the Tomato Cooperative felt shamed into ceding space to national produce.

It is important here to stop and take a look inside the Tiendona administration. Who were these municipal employees? Why were they nervous about attention to this national issue not just from the union but from the public generally? What impacts did the administration's policy decisions have on Las Pilas farmers and secondary wholesalers?[30] As mentioned, the Tiendona administrator is a political appointee of the mayor of San Salvador. The Tiendona itself and the administration staff are visible public employees. Between rent collectors, organizers, accountants, maintenance and security people, the Tiendona administration has a staff of over one hundred. Between wholesalers, retailers, and the service sector that has grown with the Tiendona (e.g., haulers, taxis, restaurants, banks), the

[30] The decentralization literature underscores the importance of municipal actors in economic development (Bartik). Spurred by this literature, the first days of my research were spent scouring the Salvadoran countryside for examples of municipalities that had played a role in helping farmers to market. I came up empty-handed. Ironically, it wasn't until I began to probe into the Tiendona – in the heart of El Salvador's largest city - that I discovered a municipal role in farmers' marketing success. This is a concrete case showing how the circumscribed policy-setting authority of municipal employees can be pivotal in both the urban setting where they sit and in the rural settings where ripple effects of their decisions are felt among farmers in the countryside.

working population in and around the marketplace numbers in the thousands. Apart from the beef over imports, the Tiendona is often featured in the newspaper and on television with stories about a scarcity of a certain vegetable, price hikes, bickering vendors and the homeless families who feed themselves from the Tiendona's rotting refuse. It would be surprising to meet anyone in San Salvador - even urban elites who shop for their vegetables in upscale supermarkets - who would not know about the Tiendona.

Officially, Tiendona administrators told me that they take no position on the origin of the tomatoes or of any produce that is sold in the Tiendona – they insist that only price guides regional trade, that they are powerless to affect wholesalers' supply choices and that their job is not to use non-market policies to influence wholesalers' supply decisions. Furthermore, they claim that they are already overwhelmed with the everyday tasks of assigning stalls, collecting rent and attending to the vendors' daily service needs. Even though they expressed sympathy with the development objectives of national sourcing, regulating and manipulating supply sources is not a task that the administration has felt equipped to carry out.

Pushing them towards action, however, has been the negative publicity and political liabilities of inaction. It was difficult to hide behind their claim that their hands were tied; people with some knowledge of the Tiendona know that the administration does in fact have some discretion in deciding who sells in the marketplace.[31] The administration receives dozens of requests per week from wholesalers and retailers seeking vending space. Where pressure has been effectively applied from actors as diverse as the Tomato Cooperative, the

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[31] This type of organizing strategy and pressure campaign is not dissimilar from current campaigns that pressure visible corporations to uphold labor and environmental standards and engage in "fair trade". The recent, successful campaign challenging Starbucks to carry "fair trade", organic coffee is a case in point. Starbucks ceded to some demands to carry supply from certified growers. The visibility of the target and the potential to influence its policies through public perceptions of fairness – in the Starbucks case a chain of coffee shops, in

National Tomato Wholesalers Association and well-connected individuals, the administration has found vending space. Furthermore, the Tiendona administration, like the secondary wholesalers, has not been blind to the fact that there exists consumer demand for national produce. Looking to market the Tiendona to a wider clientele, the administration has then found it to be in its own self-interest to accommodate wholesalers that source from national suppliers.

The Tiendona, so often described by its detractors as a corrupt, mafioso marketplace is not where one would expect to find pressures from buyers and growers and indirectly, consumers, to have an impact on its administration. Its public character is a critical asset in this respect. A small, private export brokerage house – not as visible in the public eye - would likely not have received the same media scrutiny or have offered handles for accountability around which to rally.

The story of the collective actions of secondary wholesalers would be incomplete without a final note describing the Las Pilas farmers' contributions in pushing the Tiendona adminstration to accommodate their produce. They were not passive observers; they too organized, albeit in a secondary role. For example, they pressured the San Ignacio mayor (one of the municipalities in which the Las Pilas region sits) to lobby the Tiendona administrator to guarantee marketing space to the secondary wholesalers. They also joined with the secondary wholesalers to protest the Tomato Cooperative's truck tax.

Interestingly, participation in these campaigns seemed to set the Las Pilas farmers on a series of related, though separate collective actions. For example, in recent years, farmers have demanded and won an extension office in the Las Pilas region at a time when extension

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this paper, a public marketplace – has become an important handle for organizers and constitutes one of the upsides of globalization.

services country-wide are generally contracting. Accompanied by their mayor, they pressured the Ministries of Agriculture and Trade to temporarily restrict potato imports. With significant support from USAID, Las Pilas farmers have also won repair of their road and the declaration of the Las Pilas production zone as a development pole (which, though not accompanied by many resources, has raised Las Pilas' visibility nation-wide and contributed to their ability to brand their products). Today one also sees these farmers forming cooperatives to market traditional and non-traditional crops to supermarkets and for export. What is interesting here is how different the farmers' path to these non-traditional crops and markets has been from the donor-driven NTAE strategies. Building on the skill set that they have acquired during their decades-long involvement with the Tiendona – from learning to negotiate with wholesalers to diversifying crops to meet market demand – the Las Pilas farmers have sought out, on their own, new contacts in more demanding markets. Importantly, those farmers venturing into exports maintain production of traditional crops for the Tiendona as the heart of their businesses. The secure income base from selling through the Tiendona allows farmers to experiment in specialty markets and gives them some cushion to absorb downturns.[32]

I offer final evidence of Las Pilas farmers collective actions with some hesitation; it may be a perverse victory. Due to farmers' demands for a reliable marketing channel (note: not the Tiendona), ground has been broken on a Tiendona alternative, a wholesale market to be built on the outskirts of San Salvador that will exclusively sell Las Pilas produce. Although every Pileno reluctantly admits that the very foundation of Las Pilas' growth has been the Tiendona, it is ironically still a marketplace that everyone loves to hate. Policy

[32] The demand-driven initiatives I describe here are separate from a USAID/CLUSA project to grow organic specialty crops in two hamlets in the Las Pilas region (Proexsal 1997). Interestingly, Las Pilas potato, cabbage

makers have responded to the Pilenos pressure by also beating the drum of national pride; they insist that the Pilenos deserve their very own wholesale market. Being 10 kilometers from the Tiendona and the epicenter of wholesale activity, Las Pilas will have won their independent marketplace but with perhaps very few buyers. The secondary wholesalers were uncertain how or if they would fit into this plan.[33]

Evidence of the "Right Fit" between Las Pilas farmers and secondary wholesalers

I now examine a piece of the puzzle that I have only alluded to: from the secondary wholesalers perspective, why did they prefer the Las Pilas tomatoes over the primary wholesalers' imported tomatoes? How did the small wholesalers' supply needs dovetail with the Las Pilas farmers' production and distribution capacity? A description of how the secondary wholesalers and Las Pilas farmers accommodated one another follows.[34]

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and tomato farmers did not express to me their interest in participating in this project.

[33] This proposal was partially a demand of the Las Pilas small farmers and partially a politician and donor-driven initiative. This raises the question of how would one build good public policy around the Tiendona? What constituents would rise up to defend or constructively improve such a marketplace? For politicians, their political fingerprints are easier to track when they can cut a ribbon on a brand new marketplace and join the chorus damning imports and intermediaries. As noted, farmers too are part of this chorus; they have a distinct love-hate relationship with wholesalers and administrators who might be their allies and might be their exploiters.

[34] It is important to underscore that the need for a "fit" is not unique to the relationship between the Las Pilas farmers and the secondary wholesalers. There are, for example, secondary wholesalers that find the "right fit" by selling the Tomato Cooperative's tomatoes on consignment. That arrangement works best for them because the Tomato Cooperative doesn't collect payment until the following day, because they lend their crates and because their clients prefer the redder and harder imported tomatoes. The consignment arrangement is a good fit for the Tomato Cooperative because it offers them a distribution network that enables them to deal in larger volumes.

Comparison of Marketing Imported vs. Salvadoran Tomatoes in the Tiendona

	Imported Tomato	Salvadoran Tomato
Where grown	Guatemala, Honduras, Mexico, Nicaragua	Las Pilas, El Salvador
% of tomatoes in Tiendona	90%	10%
# primary wholesalers selling tomatoes	26	0
# secondary wholesalers selling tomatoes	8	16
Varieties sold	Bute, Peto	Santa Cruz, Santa Clara
Transportation from farm to Tiendona and Truck Size	Salvadoran wholesaler purchases at farm gate in 5 or 8 ton trucks and absorb transportation cost. Some intermediaries also deliver to wholesaler. Tomatoes transported in crates.	Las Pilas farmers/truckers transport tomatoes to Tiendona in pick-ups and pay transportation cost. Small farmers accompany produce to market. Tomatoes transported loose.
Wholesaler Marketing Overhead	Wholesaler maintains truck(s) and rents large vending space from Tiendona administration, owns large volume of crates. High overhead.	Wholesaler has no truck to maintain, rent for small space is low, purchases fewer crates. Low overhead.
Vending Area Stability	Vending position secure. Stalls formally delineated and rented from administration - some with roofs and most with parking spaces.	Vending stalls not officially designated sales areas, produce protected only by tarps, no parking and stalls subject to eviction.
Grading	Tomatoes sold as one grade. Wholesalers pay the same price for the whole lot.	While crating, wholesaler grades, refuses some produce and is able to downgrade, purchasing lower quality at lower prices (there is no premium for high quality).
Backhaul	No backhaul. Wholesaler's truck stays in the Tiendona until leaves for next pick-up of tomatoes.	Pick-up returns to the Las Pilas with produce to sell locally. If producer does not fare well in sale, he may recover by backhaul selling.
Wholesaler Relationship with Suppliers	Primary wholesalers switch suppliers throughout Central America and Mexico to find steady supply at good price	Secondary wholesalers are dependent on Las Pilas farmers for their steady supply.
Wholesaler Association/ Collective Action	Majority of primary wholesalers are members of the Tomato Cooperative.	Some wholesalers are members of the UNTS union to negotiate with the Tomato Cooperative and the Tiendona Administration to preserve vending space.
Wholesaler Relationship to Administration	Close, working relationship. President of Tomato Cooperative is also president of Tiendona User Committee.	Conflictual. Wholesalers of Las Pilas tomato refuse representation on Tiendona User Committee.
Price	Imported tomato wholesalers set price	Las Pilas tomato follows price of imported tomato

Source: Author's fieldwork, June - July, 1998

1) Truck size and frequency of deliveries

The fact that Las Pilas farmers haul their tomatoes to the secondary wholesalers in the Tiendona in two-ton rather than five-ton trucks is one example of the "good fit" with the wholesalers. That is, the secondary wholesalers' vending stalls are tiny, lack a roof, parking space and room for inventory. The secondary wholesalers also tend to lack working capital to purchase large volumes. A two-ton pick-up truck hauls thirty crates, approximately the amount that a secondary wholesaler can afford to buy and can sell in a day – there is no need to store inventory. The benefit to the Las Pilas farmer in trucking small amounts is that 1) production in the zone is limited; it is not feasible to amass large volumes; 2) by transporting small amounts frequently, the farmer can hedge against variable prices, and; 3) large trucks are not well suited to Las Pilas' dangerous roads.

2) Loading, Crating, Sorting and Grading

Small wholesalers can earn more by selling Las Pilas tomatoes than imported ones. The primary wholesalers own trucks and pay out transportation costs. In contrast, secondary wholesalers receive the tomatoes in the Tiendona and do not have to own trucks; the Las Pilas farmers and truckers absorb the cost of transportation.

A second cost-savings occurs because the Las Pilas tomatoes are hauled loose in the pick-up truck bed ("a granel") from Las Pilas to the Tiendona. This is an advantage to the secondary wholesalers because if they had to purchase the imported tomatoes (already crated) from the primary wholesalers, they would be unable to sort, select and sell different grades at different prices. Their profit margin per crate would be fixed and not vary except when prices might rise suddenly. Here the grading is down grading: the advantage is not a premium for high quality but rather the ability to purchase lower quality at lower prices and sell to

customers priced by quality. This is possible because there is a good market to "pupuserias" (the pupusa is a very popular staple of the Salvadoran cuisine) who make salsa with low-cost, low-quality tomatoes.

The loose loads, on the other hand, allow the secondary wholesaler to sort and bargain when purchasing from farmers. From the farmers' perspective, trucking the tomatoes loose in the bed is also advantageous. Thirty percent more tomatoes fit in a truck when strewn loose than when packed in crates. Las Pilas farmers explained to me that although tomatoes are damaged less in transit if crated, losses incurred by transporting "a granel" are offset by the increased volume transported and by not having to purchase crates.[35]

3) Regional identity

Bits and pieces of erratic supply from atomized small farmers can be a nightmare for a wholesaler. Regions of El Salvador that have not been able to assemble and deliver their small volumes to wholesalers have met untimely deaths. A coordinating mechanism is necessary. The isolated, tight-knit community of Las Pilas was the right environment in which a new crop could be quickly diffused and from which a reliable regional supply could be made available to wholesalers. Where one producer failed, others succeeded. When one producer did not sufficient harvest to warrant a trip to the Tiendona, he combined forces with

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[35] Tomatoes in the Tiendona are sold in standardized crates, the cost of which is prohibitive for some wholesalers. In fact, there are some secondary wholesalers – the ones who prefer to sell the primary wholesalers' crated tomatoes on consignment - that explained to me that even if they had the capital to purchase the Las Pilas tomatoes, they would not be interested because an investment in crates to hold the tomatoes was beyond their means. Farmers too are restricted in their selling options due to the crate's expense. Their expense is one of the reasons that Guatemalan and Honduran suppliers have become so dependent on Tiendona wholesalers. It is the wholesalers who bring the crates when it is time to pack up the harvest. The Tomato Cooperative members are protective of their crates. In order to prevent secondary wholesalers and Las Pilas farmers from using them, these crates are marked with spray-painted insignias. A farmer or secondary wholesaler discovered using these crates is fined by the Tomato Cooperative. Interestingly, an explanation I heard on multiple occasions for why tomato production is rising in Honduras and shrinking in Guatemala is that Honduras maintains ample forests near to the tomato production zones – Guatemala is more deforested. It is these forests that provide the primary materials for the crates.

other farmers. What worked for these wholesalers was that Las Pilas farmers had forged a high degree of horizontal integration –a strong regional identity approximated the coordinating power of a firm. The region as a whole was able to produce a steady supply and the local trucking industry was able to guarantee deliveries. The Tiendona's secondary wholesalers therefore tied their fortunes not to any single producer but rather to a region with a dense network of producers.

4) Embracing intermediaries

Forging the "right fit" with secondary wholesalers would not have been possible without an open attitude on the Las Pilas' farmers part towards intermediaries. Their attitude was unusual; strong bias against intermediaries is commonplace. A current example of this bias is demonstrated in CLUSA-El Salvador's action plan to provide assistance to a Las Pilas cooperative growing non-traditional crops for specialty supermarkets (these are a separate set of growers from the Las Pilas tomato growers). The authors of this plan dismiss domestic marketing channels due to, "the speculation and manipulation that the intermediary wholesalers exercise with respect to prices.[36] The channels of commercialization are inefficient for the society and the national farmer, the majority of the time interfering negatively in the fixing of prices" (Mendoza 1995).[37] In contrast, though some intermediary

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[36] It may be difficult for donor organizations and NGOs that implement small farmer support programs to embrace intermediaries when they consider their sole constituency to be small farmers. That is, in attempting to target the "poorest of the poor" - the farmers – it may appear illogical to help the very actors that appear to be exploiting the target beneficiary. Tito Bianchi in his study of Brazilian cooperatives posed the dilemma as follows, "how could the very economic category that keeps them (the farmers) in their disadvantaged position be of any help for their collective economic development?" (Bianchi 1998). He found that incorporating intermediaries into marketing strategy was a critical factor for cooperatives' development. Though perhaps a difficult leap for donors and NGOs, the Las Pilas farmers chose to work with the actors who had the best access to the marketplace in which they sought to sell, even at the risk of being exploited by them.

[37] An example in the academic literature is found in Molina-Gray's study of agricultural marketing in Cochabamba, Bolivia. While providing rich ethnographic detail about the role of intermediaries in a long agricultural marketing chain, he laments the "low degree of rural-producer participation in marketing activities" and marketing intermediaries' "monopolistic/monopsonistic position, sustained through restrictive entry practices and a cartel-like distribution of marketing routes". Though he documents fifteen truckers in a region,

functions were absorbed by Las Pilas farmers – trucking –others were not – wholesaling. Picking from among the wholesalers, the Las Pilas farmers disaggregated. There were some wholesalers with whom productive relationships couldn't be forged - the primary wholesalers – and others with whom they could – the secondary wholesalers.

5) Tomato varieties

The tomato varieties grown in Las Pilas are not grown in Guatemala and Honduras; (footnote types) they are unique to the Las Pilas region. The fit here is that the secondary wholesalers have built a customer base around these varieties.

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he characterizes the sector as constituting a monopsony and postulates that agricultural development efforts will primarily benefit intermediaries and "bypass smallholders and sharecroppers altogether" (Molina-Gray). The author does not specify at which point the market is non-monopsonistic and at which point the market might adjust to competitive hauling prices to the small farmer's benefit.

CHAPTER FIVE

DISCUSSIONS AND CONCLUSIONS

Cutting across the many lessons that emerge from the Las Pilas tomato farmers' insertion in the Tiendona are two overarching themes: 1) NGO, donors and academics have tended to focus too narrowly on non-traditional crops produced for specialty and export markets; this has obscured the broad development linkages and learning opportunities associated with crops grown for domestic marketplaces and; 2) the significant impact that marketing can have on production outcomes has not received adequate attention. This case has shed light on how learning to market drives farmers' production prospects; the importance of marketplaces that can accommodate diverse buyers with different sourcing strategies; how pressures for crop diversification are created through farmers' relationships with wholesalers; how small wholesalers' collective actions and a public marketplace administration's policy-making can pave the way for small farmers to become suppliers to a niche market for their products; how small farmers can build competitive advantage and shift existing supply arrangements between domestic buyers and foreign growers and; domestic marketing's linkages to other economic sectors. Specific lessons are as follows:

The first lesson is that farmer learning through marketing – for example building enduring relationships with buyers in a wholesale market - is as important to success in production as learning about production directly. Long-standing marketing relationships create opportunities and pressures to sell and produce a diversity of crops. The farmers who came to the Tiendona to sell their potato and cabbage harvests had the opportunity to meet wholesalers trading tomatoes. The Las Pilas farmers learned about prices of new products,

wholesalers' supply and quality requirements and how to initiate relationships with the correct wholesaler. This type of hands-on, tacit learning about marketing a variety of products contrasts with 1) being informed about a marketing opportunity by an export broker and; 2) supply-driven assistance programs aimed at improving production.

The second lesson is that when a marketplace accommodates diverse buyers with different sourcing strategies, small farmers will find more opportunities to become suppliers and to expand a niche market for their products. Under the Tiendona's roof, both primary and secondary wholesalers operated. Although the Las Pilas farmers could not break in as suppliers to the former group they succeeded with the latter, who found a strong domestic demand for the Las Pilas unique tomato varieties. This contrasts with NTAE markets in which there are generally few buyers and where the buyers tend to have the same high quality requirements for standardized products demanded by foreign consumers. These requirements don't tend to allow much room for local varieties and may exclude small farmers with limited technology, know-how and capital.

The third lesson is that public pressure points in municipal marketplaces can be useful to influence buyers' sourcing decisions and that these points are largely absent in NTAE marketing channels. In this case, sourcing arrangements between buyers and growers were altered by small wholesalers' collective actions. The actions of secondary wholesalers, with the backing of a powerful trade union federation, created a way around long-standing trade arrangements between large Salvadoran wholesalers and Guatemalan and Honduran farmers. As public servants working in the public eye, the Tiendona administration yielded to pressure to open marketing space for the small wholesalers of national tomatoes. They thereby set

policies that indirectly favored Salvadoran small farmers because the small farmers were able to enter the marketplace as suppliers to these small wholesalers.

The fourth lesson is that competitive advantage can be constructed and can alter pre-existing trading patterns. Allegations of comparative disadvantage ought to be reviewed with healthy skepticism. Interviews with primary wholesalers indicated that the central explanation for the large quantity of imports in the Tiendona was that Guatemalan and Honduran farmers were able to meet the wholesalers' volume, trucking, and financing needs better than the Salvadoran farmers. At the same time, no clear Guatemalan and Honduran comparative advantage or significantly lower prices explained why the supply from these countries would be preferable to wholesalers if Salvadoran farmers could assemble and deliver marketable volumes. Las Pilas farmers' competitive advantage, acquired via enduring relationships with wholesalers, was learning to overcome diseconomies of scale by coordinating their production and trucking it in frequent, small volumes to a targeted sub-sector of small wholesalers. Similar to the previous point, where a diversity of buyers with a variety of supply needs does not exist, as is generally the case with NTAEs, the ability of small farmers to find a niche for their products may prove daunting.

The fifth lesson is that where small farmers have relationships of trust with many wholesalers to whom they are steady suppliers, the standard advice to small farmers to shorten marketing chains by eliminating intermediaries (such as wholesalers) may be unhelpful. In this case, there were few asymmetries of power between small wholesalers and small farmers. Though the NTAE strategy does not suggest that farmers "cut out the middleman" – in fact just the opposite, they require heavy reliance on an export buyer – the strategy does not offer many solutions for how small farmers can work around asymmetries of power with brokers.

The sixth lesson is that exporting is not the only or most desirable path for small farmers. If income-generating options exist, farmers may do better in known domestic marketplaces than unknown export markets. The NTAE literature generally credits export markets with being the teaching ground for the skills necessary to be competitive in the global economy (Byrnes 1989). This case suggests that small farmers active in domestic markets had learned a great deal about how to be competitive; in fact, they competed against imports.

This case study is a partial cut at a critical question: how can rural areas with small-farm economies survive and thrive in increasingly competitive, globalized markets? To overcome these enormous challenges, a mosaic of old and new policies in investment, trade, and infrastructure – to mention a few - are no doubt necessary. Within any policy regime, however, small farmers' marketing options will remain decisive in determining farmers' production prospects. This case showed that a narrow focus on increasing or diversifying small farmer's production is perhaps the wrong way to go about stimulating rural economies. It may be too inward looking, missing the growth opportunities through linking to other sectors and other actors outside of the farmers' production activities. Successful marketing, on the other hand, required that farmers embed themselves in local economic activities both linked to, and outside of, agriculture. Departing from marketing may encourage building productive relationships of trust and symmetry not only among rural actors (farmers and truckers) but between rural and urban actors as well (wholesalers and marketplace administrators). I would hope that this case might prompt further interest in domestic marketplaces and the policies, actors and sectors linked to them. Central wholesale marketplaces like the Tiendona are under-studied and rich resources with the potential to be vital tools in promoting rural development.

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