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DIAGNOSIS OF THE EXPORTABLE OFFER OF
THE CANTONS SEVILLA DE ORO AND EL PAN

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DEDICATION

I'd first and foremost like to dedicate this thesis to someone special, a humble, bright, honorable, kind and protecting man: Luis Miguel Alvear, who was by my side when I needed it the most, in my stubbornness, in my fears, my troubles and achievements, during the last years of my university studies, who helped me not to falter and to push forward, despite my life insecurities both as a university student and essentially as a person.

To my friends “Los Genios”, who always supported me without me needing to ask for it, who lifted my mood and completely erased my anger, and who know how to put back a smile on my face, something I cannot put a price to.

Lastly, to my parents: my father Alfonso García, who, despite the fact that we may not have such a strong relationship or father-daughter chemistry, supports me unconditionally to finish my studies; and most of all, to my mother Elisabeth Ochoa and to my grandmother Esther Hernández, who were always by my side, who know me down to my roots and with whom I formed an indestructible bond, since they left a mark forever in my life.

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ABSTRACT

The project is mainly based on the analysis of small and medium-sized enterprises (SMEs) that possess an exportable potential of their products. The reason for carrying out this research is due to the lack of information from the cantons of Sevilla de Oro and El Pan. Research was conducted in cooperation with the DAG (Decentralized Autonomous Government) of each area, starting the study from a theoretical definition of internationalization for the subsequent fieldwork in the zone, which defined the advantages of each sector, and then focused on a practical study at the level of a SME and selected associations according to their specific characteristics. This study will provide us with a basis for the final elaboration of a current and future diagnosis of companies with potential in that particular part of the province.

Qualitative-descriptive research was developed based on primary and secondary research sources. Theoretical and practical field research was conducted through the analysis of each selected association and SME. Interviews were also conducted with prepared scripts along with the respective DAG of each area. Primary information was collected through interviews with the DAG of the cantons of Sevilla de Oro and El Pan, with the producers of each association. On the other hand, secondary information was obtained through the respective Development Plan and Territorial Planning (DPTP) of the Municipal DAG and SMEs, which were selected as part of the research. The process of eliminating and/or selecting associations and SMEs made use of the following criteria: type of association or SME (producer and non-producer); whether they are active or inactive; if the production is for local sale or consumption, its size (micro or less than micro company); and products with export potential.

The general objective consists of the diagnosis of the potential exportable offer from different producers, associations, SMEs and collection centers in the cantons of Sevilla de Oro and El Pan. Meanwhile, the specific objectives are focused on the analysis of the theoretical basis on foreign trade, the theory of internationalization and SME classification, the study of the economic development and productive vocation activities of the DPTP of each canton, define the economic development, productive vocation and export potential activities of the associations and SMEs selected in the cantons. Subsequently, the information obtained from the associations and SMEs were analyzed. under the methodology of Strengths, Opportunities, Weaknesses, and Threats (SWOT), the use of crossed SWOT followed by the study of Correcting, Adapting, Maintaining and Exploring (CAME). The results allowed us to obtain information of the productive offer of

the economic development of each canton also to classify the research and specific differences of associations and SMEs in the designated areas, to carry out the Export Audit tests with the traffic light qualification and therefore determine if the associations had or didn't have an exportable offer.

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INTRODUCTION

The Institute of Promotion of Exports and Investments (PRO ECUADOR) determined that, to date, there are no studies which show the true potential of future export products in the cantons of Sevilla de Oro and El Pan in the province of Azuay. Because of this, an in-depth study was carried out with the different associations, SMEs and collection centers of the previously-listed cantons, regarding the possible export potential that the products of each area could have. For that purpose, a database of the selected cantons was developed, was developed to identify which associations are active producers and which ones are not, what products are grown, processed or elaborated and the administrative, logistical, sales-related, production, and financial characteristics that each one has.

As such, the study focuses first on the analysis of foreign trade and international trade, along with its key authors who reference the evolution of these concepts through history. It also focuses on the concept of traditional and modern internationalization and in the use of the Export Audit test by the Ministry of Industries and Productivity (MIPRO) as a basic tool, and how these concepts support growth and empowerment of SMEs.

Later on, the study consists of the analysis of the Development Plan and Territorial Planning (DPTP) of the cantons of El Pan and Sevilla de Oro in the province of Azuay, in order to understand how each canton is organized in a macro and micro approach, as well as clearly observing how its social, cultural, economic, technological and political division are organized. Once this aspect has been concluded, the thesis research project focuses on direct interviews and on the information obtained through the updated forms from the Institute for Promotion of Exports and Investments (PRO ECUADOR) and Export Audit to the different SMEs, collection centers or associations of the selected zones, in order to determine the economic development activities, productive vocation and export offer potential of each one. Finally, each company is evaluated under the methodology of Strengths, Opportunities, Weaknesses, and Threats (SWOT), and the use of Correcting, Adapting, Maintaining and Exploring (CAME) methods to determine how each SME functions internally, so as to resolve each weakness and threat by implementing certain key strategies to them.

All of this is done with the purpose of carrying out a research project through combined work between researchers and producers, in order to develop a database of the productive sector of each canton, and at the same time provide support for the economic development of the cantons of Sevilla de Oro and El Pan. With this study, a development of a greater understanding of the potential of international business, specifically in these cantons, is expected, supporting thus the business improvement of potential associations, producers, SMEs and collecting centers in each area.

CHAPTER 1

ANALYSIS OF THE THEORY OF FOREIGN TRADE AND THE INTERNATIONALIZATION OF SME

Introduction

In this chapter, we will discuss topics related to the theories of the evolution of foreign trade through history, along with some of its main experts in the subject, in order to clearly understand how they are applied, and their importance in the present day. In addition, a brief study will be made on Small and Medium Enterprises (SME), their definition and representation within Ecuador. Finally, the chapter will outline some concepts about enterprise internationalization along with their requirements, as well as the significance of why and where the use of Export Audit arises as a tool for the thesis research project.

1.1 Analysis of Foreign Trade and Exports

1.1.1 General aspects of Exports and Imports

Foreign trade focuses and consists of the exchange of goods and services between two or more countries. *" Foreign trade is referred to as an economic activity involving two or more nations and consisting basically of the exchange of goods and services, importing and exporting, with the aim of satisfying the internal and external needs of each country, and which cannot be satisfied in the country itself because there is no domestic production of that good or service, therefore they are purchased abroad".* (Daniels, John D.; Radebaugh, Lee H. y Sullivan, Daniel P., 2013)

Imports involve resource outflows and the entrance of goods or services from one country to another. Imports are understood as the legal trade of products and/or services from a country or external bloc to the national market. This occurs as a result of the non-existence of products with similar characteristics in the market of origin, making it so there is a great variety of available products. This, in turn, puts pressure on the national industry, increasing competitiveness and efficiency between domestic and imported products, as well as increasing the flow of money. On

the other hand, exports are known as the income of resources and the output products—legal trade of goods and/or services from national territory to a foreign one or to an international bloc (Daniels, John D.; Radebaugh, Lee H. y Sullivan, Daniel P.;, 2013) As a result, not only is there an increase in production, but there too is an increase in efficiency of the elaboration and manufacturing process of each product, opportunity for acquiring resources in better conditions, minimization of risks, and even the prospect to improve national products through the use of The 5 C's of Effective Content Marketing method by (Plomion, 2008) that explains how to Calibrate, Create, Curate, Circulate and Convert within the industry.

Some authors state that, in order to be an exporter, there are certain characteristics to follow, which involve: selection and analysis of the market to which it is intended to undertake; and the possibility of being able to internationalize the company along with its product is considered. In addition, export characteristics are studied too, such as the use of (SWOT) analysis, which consists of using the company's strengths to take advantage of the opportunities, as well as finding its weaknesses in order to avoid potential threats Finally, the "Design and Strategy" of a Logistics and Supply Chain Management is developed. Here, the management of product flow, information, time and money is established, along with how and whom to reach, so profits can be optimized. In order to achieve these goals, the development of an efficient marketing chain is necessary, which is achieved with an audacious export in a suitable market (Montoya P, 2018)

All economic activity produced by foreign trade is classified into four sectors:

1. Primary: Raw materials
2. Secondary: Industrialization - Manufactured Products
3. Tertiary: Services-Tourism
4. For Consumption

Subsequently, each sector contains different economic agents who carry out economic activities in foreign trade matters. These are known as (Jauregui, 2018):

A. Families: Economic agents who consume more than they produce, known as indispensable consumption, seeking satisfaction of their needs, as well as being the owners of

the resources they produce. This is mostly observed in underdeveloped communities, specifically in rural areas, where everything produced is for their own use. (Jauregui, 2018)

B. Companies: Dedicated exclusively to the production of goods and services, which are then delivered to consumers in exchange for money in order to subsequently generate profits.

C. State: Economic agent that's essentially understood as the one that regulates economic activity in each country, e.g. through taxes applied to both internal and external trade, regulations and trade restrictions, tariffs, subsidies, and anti-dumping measures. The State nourishes itself from the internal economy of the country, since it is the largest producer and owner of goods and services. (Montoya P, 2018)

1.1.2 Theories and Evolution of Foreign Trade

The first system concerning the evolution of foreign trade is called Mercantilism, which emerged somewhere around the period between the 1500s and the 1800s. This model held that countries saw more benefit by maintaining a Trade Surplus (export more than what is imported), thus States would accumulate gold, precious metals, and silver, consequently increasing their wealth, power and prestige as a nation. In 1630, Thomas Mun said: *"The common way to increase wealth is foreign trade, we have to sell more abroad than what we consume"* (Borgucci, 2011) In this era, the "State Cities" are born, which are known as self-sustainable and independent cities of the rest of the conglomerate. However, in 1752, David Hume pointed out that *"Long-term mercantilism incoherence, which ensures that long-term mercantilism cannot be sustained because of inflation, which causes a general, continuous increase in prices."* (Rothbard, 2011)

The following studies are known as the Absolute, Natural and Acquired Advantage by Adam Smith (1723-1790), which explains that not all countries are efficient in everything that they produce and that it is necessary to specialize in what one is better at. This concept explains that, in order to trade between two countries, one of them must have an Absolute Advantage in the production of any of the goods being marketed. This means that a country with absolute advantage can produce something at lower costs than another; said country requires fewer resources to

produce the same number of goods as the other country needs. Subsequently, countries that have an absolute advantage over other exports goods in which they specialize and import those that require more work, thus creating a mutual benefit among States. (Daniels, John D.; Radebaugh, Lee H. y Sullivan, Daniel P., 2013) The Natural Advantage occurs when a country produces goods that are naturally favored by its climatic environment. The type of goods produced would also depend on the availability of natural resources, and the presence of a large amount of these natural resources would significantly provide an advantage to the country producing said goods. For example: Colombia, thanks to its climate and land, has one of the best coffee beans in the world. Comparatively, in countries with better infrastructure, advantages in technology and level of skill development, it is possible to obtain Acquired Advantages, making that country produce a unique or outstanding good or service among its competitors. Example: Denmark exports silverware, not due to easily accessible silver mines, but because it has managed to develop a distinctive product.

The Comparative Advantage of David Ricardo (1817) also puts emphasis on the history of foreign trade evolution, and is based on the fact that countries must focus their resources on the goods they can produce in an efficient way, thus generating global gains. In other words, an economy's ability to produce goods and services at a lower opportunity cost than that of trade partners. For example: The United States and Costa Rica have an Absolute Advantage with wheat and coffee due to their climatic conditions. But the United States has a Comparative Advantage in wheat because its production exceeds Costa Rica. (Daniels, John D.; Radebaugh, Lee H. y Sullivan, Daniel P., 2013) Using Adam Smith's theory as a foundation, David Ricardo sustains that the most important performance in international trade is not the fixed costs of production in each country (essential utilities, indirect labor, supplies, transportation, rent, etc.) but the variable costs of production factors (direct raw material, inputs, package, and packaging, commission on sales, etc.). Fundamentally speaking, a comparative advantage gives a company the capacity to sell goods and services at a lower price than its competitors and gain stronger sales margins – in other words, it is the understanding of a solid grip of opportunity cost.

On the other hand, the Heckscher-Ohlin Trade model (1919-1933), improves on David Ricardo's study on Comparative Advantage, as it explains how there are different production factors between countries and that these affect their product cost, but estimating that countries

export goods and services that make more use of factors (raw materials) than those that abound, and import scarce factors or goods. In other words, that it's better to use raw material that abounds and in which the country is specialized on, since it is necessary to import other raw materials (factors) which allow the country to efficiently export manufactured products. (Hill, 2011)

Specialization is an inclusive form of production—countries that always specialize and innovate have a common characteristic: Firstly, they invest in specialization and then become competitors. For example, the USA and Canada, in this case, specialization is an indirect form of production. (Two products A and B, two countries 1 and 2) The two countries have a fixed endowment of products, though the endowments do not have to be equal, so in this case, it will be assumed that they are different. Society's preferences can be summarized in a map of social indifference curves, while society behaves as if it were trying to lead to the highest indifference curve. Therefore, if the two countries have the same indifference curve, namely the same preferences, the relative price of A (P_A / P_B high) will be higher in that country where it is relatively scarce. (Q_A / Q_B low) (Hill, 2011)

The study continues with Michael Porters Competitive Advantage concept (1985), which covers subjects related to the international economy, microeconomics, business administration, and international market. Porter explains that every company must have fixed and clear strategies to be able to compete successfully in the global market. According to the model, there are three main competitive advantages in order to position themselves above their competitors: lower price leadership, differentiation, and target. (Porter , 2007) Michael Porter holds a business analysis study known as: "The Five Forces of Porter", which simplifies the business strategy development of each entrepreneur, since it allows the analysis of an organization's level of competence within the sector to which it belongs. Porter assumes that there are five important forces that determine the competitive power of a company, which are (Longares & Arellano , 2016):

1. Competition in the industry;
2. Potential of new threats into the industry;
3. Power of suppliers;
4. Power of customers;
5. The threat of substitute products.

1.2 Analysis of SME, micro enterprises and productive units

According to the Resolution of the Andean Community of Nations (CAN), Article 3, Decision 702 of 2008, all micro, small and medium enterprises (SME) are classified by the relation to the number of employees or gross sales that each one performs in the period of one year. In relation to the number of employees, the companies are classified as micro when they have 1 to 9 workers; as small for 10 to 49 workers; as medium for 50 to 199 workers; and as large for 200 or more workers. The second classification is established according to the income per year of each company: as micro from \$ 1 to \$ 100 000; as small from \$100 001 to \$ 1000 000; as medium for \$ 1000 001 to \$ 5000 000; and as large for \$ 5000 000 or more (Programa Estadístico Comunitario de la CAN, 2008)

The SMEs generate, on average, 60% of employment within the countries of the Andean Community of Nations, as stated in the community statistical program of the CAN. The Secretary-General of the CAN, Hector Quintero, expressed his enthusiasm about the promising economic and commercial activity that SMEs produce in this integration bloc, since over 90% of the companies in the countries of the sub-region are SMEs. In addition, during the beginning of the year 2018, the exports of the commercial bloc reached \$5 143 billion dollars. There even was an increase of the GDP in the year 2017 of 2.3%, which was an equal growth amount than that of the United States and the European Union. (Enriquez , 2018)

The most common way in which SMEs have managed to obtain financing in Ecuador is from bank loans and secondly thanks to net assets. The Ecuadorian National Institute of Statistics and Censuses (INEC) registered a total of 843 644 micro, small and medium enterprises (MSMEs) in 2014. Regarding this group, 367 932 are considered micro-enterprises with an Ecuadorian simplified tax regime (RISE), which represents a 43.6% of all enterprises. In terms of SMEs quantity, 82 905 were registered, of which 66 551 had registered economic sales units from the Internal Revenue Service (IRS) and affiliated employees in the Ecuadorian Institute of Social Security (IEES). By 2016, the number of MSMEs increased to 843 745, where 90.5% of these are microenterprises, and the number of SMEs increased to 179 830. Regionally speaking, within this last group, on average, 80% of these enterprises are all over the provinces of Guayas, Pichincha,

and Manabí. The first with a total of 58 574 (32.67%), the second with 50 269 (27.95%) and the third with 8 438 (4.69%) SMEs in total. (INEC , 2017)

According to the Ecuadorian Superintendence of Companies, Security and Insurance (Supercias), the province of Azuay follows these provinces with a 4.97% of the total, in which there exist a significant number of small (5.02%) and medium-sized companies (4.84%). In regards to the conglomeration of business by SME activity within Ecuador, the largest number of companies are engaged in the commercial area, with a figure of 29.54% out of the total, mostly comprised of small and medium enterprises. On the other hand, there are companies which are dedicated to the manufacturing industry (10.08%), followed by transport and storage (8.87%) and finally agricultural activities with 8.13% of the total. However, a large number of SMEs stop evolving or innovating, and end up disappearing, primarily because many companies fail to obtain the expected positive profit, and as such cannot meet the guarantee and requirements that banks request for loan approval. (EKOS, 2017)



Figure 1. Distribution of SMEs activities in Ecuador. Copyright 2017 by Supercias

1.3 Definition of Internationalization and the use of Export Audit as a tool

1.3.1 Concept of Internationalization

Spain's School of Business Strategy defines internationalization as: *"a long-term process, with key stages in a detailed plan. It is not a question of having a timely presence in some other country, but of being completely rooted in the economies of those countries. It is necessary to have a well-defined strategy in the local market and understand that international markets provide other variables to the possibility of success of the product or service: cultural matters, sanitary and environmental requirements, technical standards and regulations on products."* (Escuela de Estrategia Empresarial, 2014)

The UPPSALA Model from the Uppsala University of Sweden, explains that internationalization is: *"a gradual process built on the experience and resources that the company is accumulating. With this, risks are minimized, at the expense of delaying the exit abroad: in the first stages the entrepreneur concentrates his efforts in the market he knows best, and the reach through other countries is the result of a prolonged learning that is always backed for the resources that the company is capable of generating".* (Soto, 2013)

This is a model that projects a different vision shift from the traditional SMEs that, from the beginning, are based on supplying the local demand, along with first-time entrepreneurs without greater knowledge of the language, culture or contacts abroad and who always start with financial dependence on bank loans.

Within these new models of "accelerated growth companies" or "emerging companies", also known as startup companies, are the "Born Global", which are known as a group of SMEs that project an accelerated internationalization process. The goal of these companies is to create a type of company that rebels itself from the classic theory of internationalization, and which end up being determined, audacious companies of accelerated growth, with limited resources but unlimited knowledge. They also have a powerful relationship with technology, which helps them maintain much lower costs than what they gain as utilities; a powerful international vision, with young and intrepid entrepreneurs who are able to dominate the number of clients and global

followers in a matter of minutes, can think outside the typical business framework and who save themselves the whole process of internationalization traditional. (Codeglia, 2018)

As a result of the UPPSALA model, the concept of internationalization from the «Born Global» emerged, which, according to Pedro Lalanda (SME Internationalization Consultant and Academic), is characterized by having an international vision from the beginning, assuming qualified human capital and especially knowing how to effectively use Information and Communication Technologies (ICT). Lalanda also explains that the intelligent use of collaborator networks and strategic alliances, along with constant innovation in all possible areas, are highly indispensable strategies for the SMEs accelerated internationalization. (Martinez Gavira, 2013)

Corporate internationalization is known as the operations performed by a company outside the domestic market to a foreign one. This process occurs when market unification and the standardization of products show up because consumers usually end up developing similar preferences and requirements in regards to a product or service. Thus, new communication, distribution and sales channels are created for these products, due to the company growing in size, both quantity-wise and quality-wise, thus requiring it to expand towards new frontiers, helped by the financial, productive, commercial and necessary human resources it has that allow it to do so. It is also important to keep in mind that, in order for a company to be able to internationalize itself, it must have a level of prestige within its natural market, so it can compete in sectors with international recognition.

Once it achieves internationalization, it may gain a greater competitive advantage over companies in its domestic market. It will also gain optimal rationalization of production, improved sales stability, greater customer outreach, and the elimination of protectionist barriers in its natural market, and in turn the elimination of the cost of international transport of goods. This process takes time and happens gradually, with a good amount of commitment from the company's partners, as they are the ones who must always be in continuous evolution and innovation, since the more knowledge they have, the less likelihood of failure will occur.

Consequently, obstacles, such as the lack of contacts and access when entering a different market, the instability of exchange rates, the language and cultural unawareness of the country to

which it intends on embarking on, the requirements from governments of external markets to be able to invest directly (controls for company ownership, requisites of manufacturing with local materials, a higher amount of local labor hiring than foreign labor, etc.), and, particularly, the lack of knowledge of the legal restrictions imposed by the government, such as customs duties for tariff barriers and safety standards, technical specifications, and health and quality controls established by non-tariff barriers.

1.3.2 Export Audit as a tool

The Ministry of Industries and Productivity (MIPRO) is a government entity whose mission is to propose and create public policies for trades improvement and industrial specialization. In this organization, people have access to the MSMEs Unique Registry (RUM). The MIPRO provides advice on what a producer needs to be able to register as a micro, small or medium-sized company, thus facilitating producers on paperwork processing, loan acquisition, professional consulting, etc. In turn, MIPRO also registers artisanal producers. Depending on the type of activity they perform, they are given different forms of recognition, and each one has access to certain benefits offered by the government for being registered. (Ministerio de Industrias y Productividad, 2018)

Every Ecuadorian citizen, whether they are or representative of an association, can consult PRO ECUADOR for advice and information on how to export their products. There are restrictions on certain products, as well as necessary requirements in order to export successfully. One of the tools used by the entity to qualify small and medium enterprises (SMEs) is the Export Audit, which is a questionnaire that verifies whether companies have the requirements needed to internationalize the goods they produce. Another tool used for the same purpose is known as the Exporter Potential test, which PRO ECUADOR makes use of, in order to determine the quality of products that are to be exported.(Ministerio de Industrias y Productividad, 2018)

Conclusion

This research took in consideration authors such as David Hume, who pointed out that *"Long-term mercantilism incoherence [...] mercantilism cannot be sustained because of inflation...continuous increase in prices"*. (Rothbard, 2011) and Adam Smith (1723-1790) with the Absolute and Natural Advantage, David Ricardo (1817) with the Comparative Advantage, Michael Porter (1985) with his concept of Competitive Advantage, among others who are known as the "founding fathers" of commerce and explain, throughout history, the evolution of commerce for its better understanding.

Nowadays, conventional internationalization theory has been revolutionized thanks to companies identified as «Born Global» or «Startups», which are known as fast-growing enterprises that always use the lowest investment possible in order to double its profits. Corporations such as «Spotify», «Netflix», «Uber», etc. are clear examples of new emerging companies, which were created out of a simple but necessary idea, seeking a solution to a common problem. Before, companies used to focus on generating a consolidated business in a local market and then, if it was possible, the internationalization procedure. Now, thanks to this new entrepreneurship method, a good idea is all that's needed, along with today's advanced technology for apps or product development, which are capable of fast and effective internationalization.

In the Ecuadorian State, SMEs are numerous, according to the latest INEC census from 2016, which explains that most establishments are considered MSMEs. They provide great economic contribution to the country due to their innumerable work sources. SMEs in our country are mostly engaged with the production of goods and services, thus becoming one of the main foundations for social economic development. In addition, they are the main factor for generation of wealth and employment, either by creating, offering, demanding or purchasing products, or by incorporating. Any SME with considerable production quantity, good manufacturing practices, and which possess a unique product, either by its Denomination of Origin or by a distinctive brand implementation, will achieve the majority of requirements in order to be considered a potential exporter. SMEs generate most of Ecuador's employment, but they contribute the least to the country's GDP, which shows its low development level.

CHAPTER 2

INFORMATION GATHERING OF THE CANTONES OF SEVILLA DE ORO AND EL PAN

Introduction

This chapter will focus on an in-depth explanation of the general characteristics of the cantons of Sevilla de Oro and El Pan. Information such as history, geography, demography, infrastructure and relevant data of each canton will be provided thanks to the Development Plan and Territorial Planning (DPTP) from the Municipal DAG of Sevilla de Oro and El Pan.

2.1 General aspects of the Canton of Sevilla de Oro

The canton of Sevilla de Oro is located in the northeastern part of the Province of Azuay, 63 km from the city of Cuenca, it has three townships (Sevilla de Oro, Palmas and Amaluza) with a total area of 311 km². Its limits are the cantons of Azogues and Santiago de Méndez to the North, El Pan and Collay river to the south, Santiago de Méndez to the east and Azogues, Paute, Guachapala and El Pan to the west. The canton's foundation date was on the 10th of August of 1992, according to the INEC census from 2010. Sevilla de Oro has a population of 5 889 inhabitants with an intercensal growth of 1,31% from 2001-2010. The cantonal center is located at 2 347 meters above sea level. It has three types of weather: humid, semi-humid, and high mountain cold, which is diverse mainly because of its geographical location. (PDOT Cantón Sevilla de Oro, 2012-2027)

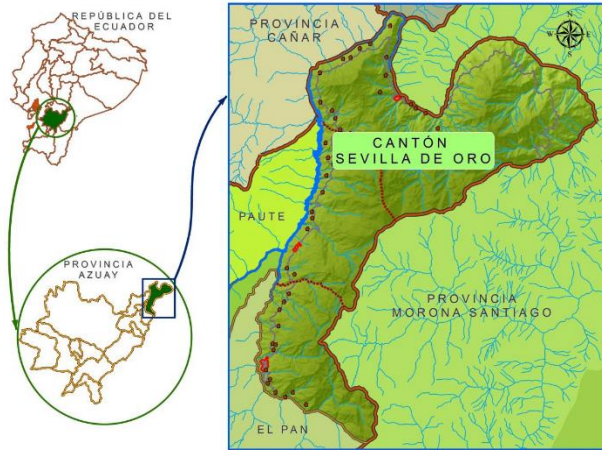


Figure 2. Map of the canton Sevilla de Oro. Copyright 2012-2027 by DPTP of the DAG canton Sevilla de Oro

One of the country's main hydroelectric projects is located in the canton of Sevilla de Oro, known as the Mazar hydroelectric plant, which generated the Mazar and Amaluza Dams. However, these water reservoirs caused a series of consequences, such as landslides due to increases in humidity, environmental pollution and the presence of new pests, loss of productive terrains, relocation of families and climate change. The tourism in the canton is characterized by offering different Andean and Amazon areas along with a variety of attractions for tourists, among these are river beaches, old paths among the misty forests, sport fishing, traditions and culture of its people. The main economic activity of the canton is livestock, which according to the DPTP of the Municipal DAG of the canton dedicates a 45.96% of the area to pasture cultivation associated with cattle breeding focused on meat and milk production. (PDOT Cantón Sevilla de Oro, 2012-2027)

2.1.1 History of the Canton of Sevilla de Oro

The Canton of Sevilla de Oro gets its name thanks to the Italian Father Albino del Curto, who decided to name it this way since several travelers from the period came in search of gold because of the legend of the "Inca Treasure" that was supposedly hidden in these lands. In its beginnings, Sevilla de Oro depended on the canton of Paute because it was known as an area with greater infrastructure and development. With time the townships of Seville de Oro, Palmas and Amaluza, that used to belong to Paute, took part of Sevilla de Oro, forming the new canton. (Miller, 2010)

2.1.2 Demography of the Canton of Sevilla de Oro

According to the INEC census from 2010, the canton of Sevilla de Oro has a population of 5 889 inhabitants, with regard to the sectoral division, around 15% of the population live in urban areas while the remaining 85% live in rural areas. The township of Sevilla de Oro has more population in urban areas with a total of 838 inhabitants, while the rest of the population is concentrated in rural areas with a total of 5 051 inhabitants, the township of Palmas predominates within this group with a total of 2 221 inhabitants. (PDOT Cantón Sevilla de Oro, 2012-2027)

Table 1

Distribution of the population of the canton Sevilla de Oro by township, area and gender

| Urban Area | Population | | | |
|-----------------------|------------|-----|-------|-----|
| Townships | Men | | Women | |
| Sevilla de Oro | 389 | 17% | 449 | 20% |
| Amaluza | 0 | 0% | 0 | 0% |
| Palmas | 0 | 0% | 0 | 0% |
| Total | 389 | | 449 | |
| Rural Area | Population | | | |
| Townships | Men | | Women | |
| Sevilla de Oro | 645 | 29% | 762 | 34% |
| Amaluza | 833 | 59% | 590 | 41% |
| Palmas | 1 075 | 48% | 1 146 | 52% |
| Total | 2 553 | | 2 498 | |
| Canton Sevilla de Oro | Population | | | |
| Areas | Men | | Women | |
| Urban Area | 389 | 7% | 449 | 8% |
| Rural Area | 2 553 | 43% | 2 498 | 42% |
| Total | 2 942 | 50% | 2 947 | 50% |
| Population Total | 5 889 | | | |

Elaborated by García; Lopez Source: by DPTP of the DAG canton Sevilla de Oro 2012-2027

The native language is Spanish and the population mostly identifies itself as mixed-raced, with 91.6% of the local population identifying as such, 6.8% identifying as white and only 0.8% of the population recognizing themselves as indigenous. (PDOT Cantón Sevilla de Oro, 2012-2027)

Table 2

Ethnicity of the canton

| Self-identification according to their culture and customs | Canton | Townships | | |
|--|--------------|----------------|--------------|--------------|
| | | Sevilla de Oro | Amaluza | Palmas |
| Indigenous | 47 | 2 | 37 | 8 |
| Afro Ecuadorian/Afro-descendant | 64 | 33 | 6 | 24 |
| Black | 5 | - | 5 | |
| Mulatto | 18 | 3 | 14 | 1 |
| Montubio | 12 | 3 | 5 | 4 |
| Mixed | 5 398 | 2 017 | 1 269 | 2 110 |
| White | 345 | 187 | 84 | 74 |
| Other | | - | 3 | |
| Total | 5 889 | 2 245 | 1 423 | 2 221 |

Obtained from Copyright 2010 by INEC

The majority of the population (86%) practices a peasant life since they are geographically located in a rural area and maintain agricultural activities. The National Committee for Children and Adolescents (CNNA) recognizes vulnerable groups in the canton of Sevilla de Oro as people from 0 to 17 years old, seniors, and people with permanent disabilities, and are therefore entitled to priority attention policies. (PDOT Cantón Sevilla de Oro, 2012-2027)

2.1.3 Infrastructure of the Canton of Sevilla de Oro

The structures in the canton are varied, however, they are still traditional, and in some cases even modern due to the tendency of homecoming migrants. The most commonly used materials in their constructions are adobe, wood, “tapial” and roof tile. A relevant fact about the legality and tenancy of land use in the canton is that there are no data or records that demonstrate the legal status of the inhabitants’ terrains, with the exception of those who have legalized or adjudicated their properties to the Undersecretary of Land and Agrarian Reform. This is mainly due to the fact

that there are no documents of land ownership, and also because of the ideology of the community since its conservative nature and extreme caution prevents data procurement on legality and expansion of property from being obtained. (PDOT Cantón Sevilla de Oro, 2012-2027)

Since 1977, the canton of Sevilla de Oro has had a safe drinking water system which is run by the Municipal DAG, by 2002 it was expanded, then rehabilitated and improved in 2009. The canton's water system has supervision, conduction, plant treatment, reservation and distribution measures. This system gives the community quality service, though it only covers urban areas. (PDOT Cantón Sevilla de Oro, 2012-2027) According to the DPTP of the Prefecture of Azuay, the canton's road network has a paved road length of 104.72 km and is classified in a «regular» condition conservation. (PDOT Prefectura del Azuay, 2015)

According to the INEC census from 2010, there are 1 798 students who attend 18 primary schools and 2 secondary education centers distributed throughout the canton, the illiteracy rate is around 25.7% and is mainly observed in the rural sector. There are 3 health centers in Sevilla de Oro, which are located in the center of each township (Sevilla de Oro, Amaluza and Palmas). The canton also has a Rural Social Security dispensary in Osoyacu, which is a village located in the township of Palmas. (PDOT Cantón Sevilla de Oro, 2012-2027)

2.2 Analysis of the current economic activity of the Canton of Sevilla de Oro

According to the information of the last census from 2010, the economically active population (EAP) (5 years of age and over) consists of 2 410 people, 68.9% are men and 31.07% women. (INEC, 2017)

According to the canton's Gross Value Added (GVA) contribution to the province by activity branch of the three main sectors of economic production, Sevilla de Oro represents 5.6% of agriculture, livestock and forestry practice, with a GVA of \$10 024 dollars. The industry and manufacturing activity represents less than 0.1% for the province of Azuay with a GVA of \$33 000 dollars, and regarding trade activities, the canton also represents less than 0.1% for the province and \$181 000 in GVA numbers. (PDOT Prefectura del Azuay, 2015)

Table 3

Contribution of the cantonal Gross Value Added (GVA) to the province by economic activity branch

| <i>Province VS Canton (GVA thousands of dollars \$)</i> | <i>Agriculture, Livestock and Forestry</i> | <i>%</i> | <i>Manufacturing Industry</i> | <i>%</i> | <i>Trade</i> | <i>%</i> |
|---|--|----------|-----------------------------------|----------|--------------|----------|
| Total Province | 177 592.60 | 100% | 337 387.00 | 100% | 371 659.74 | 100% |
| Azuay | | | | | | |
| Total Cantón | 10 024 | 5.6 % | 33 | 0.0% | 181 | 0.0% |
| Sevilla de Oro | | | | | | |

Elaborated by García; Lopez Source: by Central Bank of Ecuador 2015

2.2.1 EAP percentages by activity branch of the Canton of Sevilla de Oro



Graph 1. EAP percentage by activity branch. Copyright 2010 by INEC

With regards to the productive economic aspects, the canton is developed in an agricultural production base which is important for the food security of the region, since it has its own natural resources for these activities, and because the canton is located in-between the connection route of the Andean and Amazon region, all factors which allow the canton to have an important role in its socio-economic development. The INEC census from 2010, indicates that the canton's EAP correspond to a 40.9% of the total population, within this group 69% corresponds to men, while 31% to women. In terms of productivity, the canton is oriented towards agricultural and livestock activities which represent 37.05% of its population, the second most important activity is construction with a number of 508 inhabitants, meaning around 21.05% of the population engage in this activity, of which 95.3% are men and 4.7% are women. The economic activities that follow relate to wholesale and retail trade, public administration, electricity, gas and manufacturing industries. Finally, at the end of the list of the canton's EAP branch of economic activities, there is a group related to the provision of services such as transportation, food and housing, that together adds up to 4.6% of the population, equivalent to 115 inhabitants

Table 4

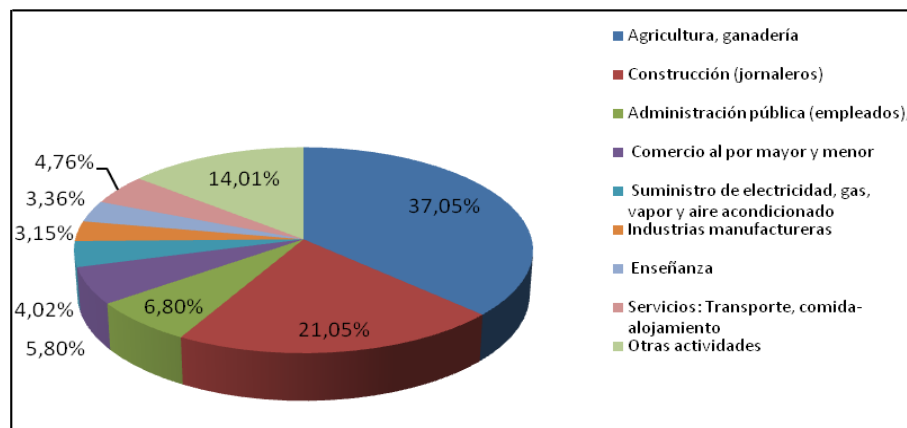
EAP by gender and economic activity branch

| Economic Activity | EAP Men 69% | EAP Women 31% | EAP Total | 100% |
|--|----------------------------|------------------------------|----------------------|----------------|
| Agriculture, livestock | 578 | 316 | 894 | 37.05% |
| Construction (day laborers) | 484 | 24 | 508 | 21.05% |
| Public administration (employees) | 112 | 52 | 164 | 6.80% |
| Wholesale and retail trade | 74 | 66 | 140 | 5.80% |
| Electricity, gas, steam, water and air conditioning supply | 92 | 5 | 97 | 4.02% |
| Manufacturing industries | 54 | 22 | 76 | 3.15% |
| Teaching | 25 | 56 | 81 | 3.36% |
| Services: Transportation, food and housing | 68 | 37 | 115 | 4.76% |
| Other activities | 177 | 171 | 338 | 14.01% |
| Total Cantonal EAP | 1 664 | 749 | 2 413 | 100.00% |

Obtained from Copyright 2010 by INEC

2.2.2 EAP by gender and economic activity branch of the Canton of Sevilla de Oro

According to the EAP by occupation category shown on the previous table, it can be observed that the majority groups are agriculturalists and skilled workers. Of this activity, the largest number of people are men, near 518 people, which represents 63.63%. Of the 2 413 total inhabitants representing the canton's EAP, 33.7% are farmers and experienced laborers, namely 814 inhabitants. (INEC, 2017)



Graph 2. EAP by gender and economic activity branch. Copyright 2010 by INEC

It is clear that agricultural and livestock activities are more representative in the township of Palmas. The EAP percentage of the canton by townships is distributed in the following order: Sevilla de Oro 32%, Amaluza 31% and Palmas 37%.

Tabla 5

EAP by townships of the canton Sevilla de Oro

| Activity Branch | EAP / Townships Sevilla de Oro | | | Cantonal EAP |
|---|--------------------------------|---------|--------|-----------------|
| | Sevilla de Oro | Amaluza | Palmas | |
| | 31.83% | 31.04% | 37.13% | 100.00% |
| Agriculture, forestry and fishing. | 24 | 19 | 448 | 894 |
| Mining and quarrying | 3 | | 5 | 8 |
| Manufacturing industries | 38 | 8 | 30 | 76 |
| Electricity, gas, steam and air conditioning supply | 5 | 75 | 17 | 97 |
| Water distribution, sewage and disaster management.. | 2 | 14 | 2 | 18 |
| Building | 92 | 26 | 148 | 508 |
| Wholesale and retail trade | 79 | 12 | 49 | 140 |
| Transportation and storage | 33 | 3 | 34 | 70 |
| Accommodation activities and meals service | 13 | 19 | 13 | 45 |
| Real estate activities | 6 | | | 6 |
| Information and communication | 4 | | 5 | 9 |
| Financial and insurance activities | | 1 | 1 | 2 |
| Professional, scientific and technical activities. | 4 | 3 | | 7 |
| Administrative and support services activities | 5 | 13 | 2 | 20 |
| Public administration and defense | 79 | 60 | 25 | 164 |
| Teaching | 31 | 6 | 44 | 81 |
| Human health care activities | 10 | 8 | 15 | 33 |
| Arts, entertainment and recreation. | | 3 | 1 | 4 |
| Other service activities | 14 | 14 | 5 | 33 |
| Activities of households such as employers | 16 | | 9 | 25 |
| Organization and extraterritorial administration activities | 1 | 44 | | 45 |
| Undeclared | 75 | 1 | 24 | 100 |
| New Employee | 9 | | 19 | 28 |
| Total | 76 | 74 | 896 | 2 413 |

Obtained by DPTP of the DAG canton Sevilla de Oro. Copyright 2010 by INEC

2.2.3 Agricultural and livestock activity of the Canton of Sevilla de Oro

Agricultural Activity

The INCEC census from 2010 specifies that 28.58% of the canton's surface is dedicated to agricultural production, of which 1.54% are crops dedicated exclusively to self-consumption or subsistence, where corn, beans, and small amounts of tree tomato are planted. The rest of the agricultural area combines agriculture and livestock activities, in which livestock always prevails.

Livestock Activity

Cattle breeding is performed mainly for two purposes: meat and milk. "We live from milk" is the phrase that clearly indicates the main productive income line. 90% of the population is engaged in activities such as agriculture, livestock, forestry and fishing. Livestock is an important source of family income throughout the year since in Sevilla de Oro the care of cattle is considered an investment and its sale can cover family expenses. The collection of milk in the canton is from 5 000 to 10 000 liters per day, according to data from the Municipal DAG of Sevilla de Oro. (PDOT Cantón Sevilla de Oro, 2012-2027)

" Livestock activity is characterized by the producers themselves as traditional and without a complex added value; for them there is a production deficit due to lack of technical assistance in livestock management, veterinary assistance, improvement of pastures and irrigation in low areas, as well as lack of fertilization, genetic change and development of by-products." (Dr. Padilla , 2017)

2.2.4 Important information of Mazar Dam

The Mazar Dam is located in southern Ecuador, by Paute river's watershed and belongs to the Santiago rivers watershed. The construction of the Mazar hydroelectric project was developed thanks to Ecuador's Public Strategic Electric Company (CELEC EP), which began in March 2005 and was finally inaugurated in December 2010. The water reservoir has a total volume of 410 Hm³, an approximate flood length of 31 km and an electrical generation capacity of 160 MW. (Ministerio de Electricidad y Energia Renovable, 2017) According to the canton's GVA contribution to the province by economic activity branch, Sevilla de Oro represents around 88.96% of the Electricity

and water supply as indicated by the Central Bank of Ecuador of 2012, due to the installation of the Daniel Palacios Hydroelectric Plant, this number increased once the Sopladora and Mazar-Dudas Dams were completed. (PDOT Prefectura del Azuay, 2015)

The public company known as CELEC is in charge of carrying out eco-toxicological studies of the Mazar and Amaluza water reservoirs every year. The last report was made in September 2017 and it had to do particularly with a diagnosis to control safe levels of food consumption, fishing, tourism and toxicity levels that could exist in the flora and fauna of the Dam. Samples of the fish and their main sustenance, known as lechuguin (river algae), were taken to determine their levels of heavy metals (lead, arsenic, cadmium and mercury) and therefore settle whether they are safe or not for human consumption.

The study determined that, clearly, there exists a risk to human health, due to the high percentage of heavy metal accumulation (recently mentioned) accumulation, that were found in the muscle and meat of the various types of fish that were analyzed, as well as a high concentration of lead found in the lechuguin, as a result of bad habits of cities and towns concerning sewage and rainwater discharging to the rivers watershed, which are absorbed and accumulated by the roots of this plant. The results of the study showed that both cadmium and lead exceeded the tolerable ranges according to the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO). (Ministerio de Electricidad y Energia Renovable, 2017)

2.2.5 Analysis of livestock technology and production processes of the Canton of Seville de Oro

According to the DPTP of the Municipal DAG of the canton, only 11% of the farmers use crop techniques. They preserve work tactics such as “minga”, daily wages and the use of animal force for traction uses, which is known as “yunta”. In recent years new technologies have been implemented, involving equipment and support machines for these tasks, such as:

- Tractors for soil tillage and furrowing
- Harvesting rakes
- Agrochemical products

- Technical assistance from professionals

All these tools are being developed with the aim of profit achievement in the cultivation processes.

2.3 General Aspects of the Canton of El Pan

The Canton of El Pan is located in the northeastern part of the province of Azuay, in the lower middle part of the Paute river's watershed at 2 600 meters above sea level, its townships are El Pan and San Vicente. The canton has a population of 3 036 inhabitants with a total area of 132 km² according to the INEC census from 2010. Its limits are the cantons of Guachapala and Sevilla de Oro to the North, Gualaceo to the South, Sevilla de Oro and the province of Morona Santiago to the East and Guachapala and Gualaceo to the West. The canton's foundation date is the 10th of August of 1992 and its weather is characterized by a semi-humid to a humid climate, and in the high mountain area, the cold equatorial climate predominates, which can reach 0°C. (PDOT Canton El Pan, 2014-2019)

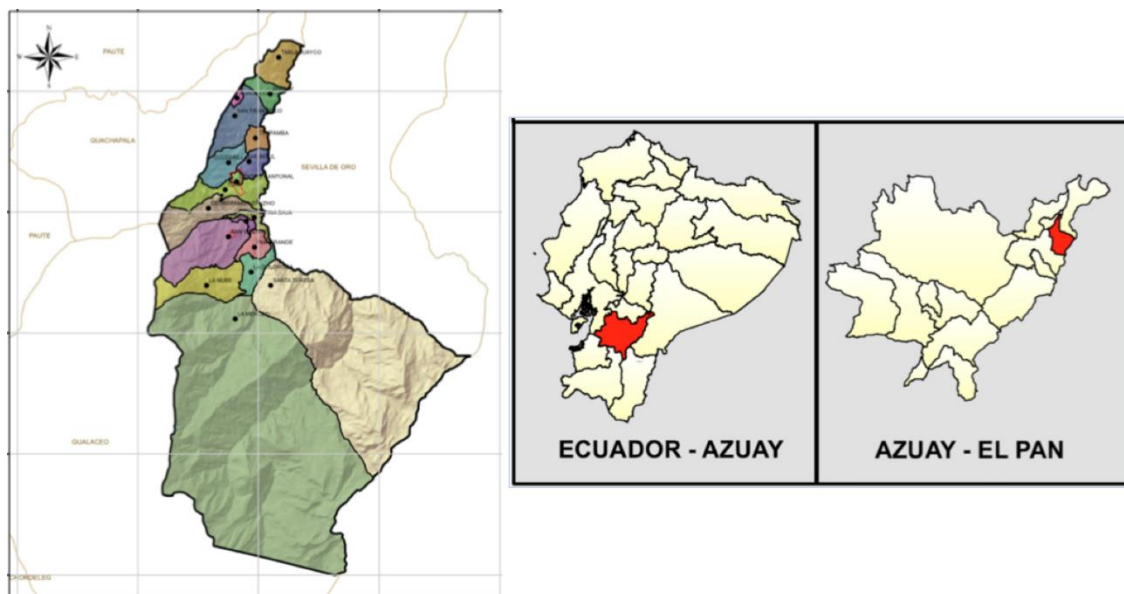


Figure 3. Map of the canton El Pan. Copyright 2014-2019 by DPTP of the DAG canton El Pan

The INECs “Population and Projection Analysis” census states that 83.99% of the population is located in rural areas and 16.01% in urban areas, due to the fact that the majority of the population is dedicated to different agricultural activities. The DPTP of the canton El Pan specifies that 63.33% of the EAP are dedicated to activities such as livestock and agriculture, which are known as primary activities, 22.24% of the population is dedicated to secondary activities such as mining and quarrying and manufacturing industries. Finally, within third-degree activities, 15.43% of the people are dedicated to construction and wholesale and retail trade. In the canton of El Pan tourism has considerable potential for the economic development of the area because of its natural diversity, however, tourism is not adequately implemented, because the canton does not have the desirable infrastructure. (PDOT Cantón El Pan, 2014-2019)

2.3.1 History of the Canton of El Pan

The name of the Canton of "El Pan" comes from several cultural sayings, one of the most named ones by the inhabitants of the community is known as "Pand", which is a Shuar type of language and its translate means wide and clear. This denomination is compared with "Chimbapan" which, incidentally, was the old name of the canton Sevilla de Oro and it means: "The other side of the “pan” or that it is close to El Pan". (PDOT Cantón El Pan, 2014-2019)

2.3.2 Demography of the Canton of El Pan

The canton of El Pan has 3 036 inhabitants, 39% of the population is located in the township of El Pan and 61% in the township of San Vicente according to the INECs “Population and Housing” census from 2010. As for the canton’s population difference by gender, female inhabitants are the majority with 1 616 inhabitants, while the number of male inhabitants is 1 420. There is a larger population in rural areas than in urban areas, mainly because agricultural activities predominate in this area, and the cost of living in urban areas is more expensive than in rural areas. Around 16% of the residents are concentrated in urban areas while 84% in rural areas. (PDOT Cantón El Pan, 2014-2019)

In El Pan, people mostly identify themselves as mixed-raced (92.46%), and the rest of the population recognize themselves as white (5.83%), Afro-Ecuadorian (1.22%) and montubios (0.26%). (PDOT Cantón El Pan, 2014-2019)

Table 6

Distribution of the population of the canton El Pan by township, area and gender

| Urban Area | Population | |
|------------------------|-------------------|-------------------|
| Townships | Men | Women |
| El Pan | 220 | 266 |
| San Vicente | 0 | 0 |
| Total | 220 | 266 |
| Rural Area | Population | |
| Townships | Men | Women |
| El Pan | 349 | 361 |
| San Vicente | 851 | 989 |
| Total | 1 200 | 1 350 |
| Canton El Pan | Areas | |
| Population | Urban Area | Rural Area |
| Hombre | 220 | 1 200 |
| Mujer | 266 | 1 350 |
| Total | 486 | 2 550 |
| Porcentaje | 16% | 84% |
| Total Población | 3 036 | |

Elaborated by García; Lopez Source: by DPTP of the DAG canton El Pan 2014

2.3.3 Infrastructure of the Canton of El Pan

In the canton of El Pan, 87% of the houses are owned according to the “Population and Housing” INEC census from 2010. Despite this, several homes are abandoned by the large wave of migration that existed in the area. Houses are generally built near water sources and rivers because of the benefits they offer (food, agricultural activities, cleaning, etc.). As for the different types of houses by building type, these vary greatly due to the economic reach of each inhabitant.

The materials are also different: the most commonly used materials are concrete, brick and bloc, which are used for contemporary type constructions, while materials such as earth, wood and cane are used for traditional type constructions. (PDOT Cantón El Pan, 2014-2019)

The southern zone (La Merced) of the canton does not have an adequate infrastructure of basic services: 54.28% of the rural population does not have a sewage system; 38.23% of the population does not have garbage collection services; and 66% of the houses are far from El Pan Educational Unit Center; however, the sector manages to cover the educational demand. (PDOT Cantón El Pan, 2014-2019). According to the DPTP of the Prefecture of Azuay, the canton's road network has a length of 63.18 km of paved road and is classified in a «regular» condition conservation. (PDOT Prefectura del Azuay, 2015)

The “Population and Housing” INEC census from 2010, addressed issues regarding access to sources of clean drinking water for families in the canton, stating that 67.90% of all residences receive water through public networks, 19.96% obtain water from natural sources and 12.15% from wells and rain collection. The canton manages three independent drinking water systems: the first one is known as Culebrillas cantonal center (1982), the second drinking one is the Tury-Cedropamba (1982) and the third one is the San Francisco-Tablahuayco (1998). All these water systems have been improved and rehabilitated in recent years (2004 to 2011). (PDOT Cantón El Pan, 2014-2019)

As for the population's access to education and health services, in the communities of La Merced, La Nube, San Vicente, La Dolorosa, Santa Teresita, the cantonal center, Ñuñurco and Turi, the Municipal DAG of El Pan establishes that 44.44% of these communities have educational institutions and health unit services. The illiteracy rate is around 3.38% in urban areas and 12.14% in rural areas. This number is worry-some because in previous years the canton was declared a free illiteracy territory. (PDOT Cantón El Pan, 2014-2019)

2.4 Analysis of the current economic activity of the Canton of El Pan

The most relevant productive activities in the canton of El Pan are agriculture and livestock since these are closely related to the environmental services that the natural areas provide to producers. More than half of the economically active population (EAP) dedicate their time to the production of land and livestock activities, as shown in graph 4 "Description of productive activities of the territory's EAP " and table 8 "Description of the economic sectors relationship with the EAP". These productive activities have the purpose of self-sustaining families and at the same time, the surpluses are commercialized in local and provincial spaces. (PDOT Cantón El Pan, 2014-2019)

In sectors such as La Nube, which is a community of the township of San Vicente, several areas have been identified for the “Castilla Blackberry”, which represents a considerable alternative for farmers to improve their production and marketing, in order to put aside monoculture and establish alternative crops that can generate profitability. The “Castilla Blackberry” as the cantons stellar product offers small producers the opportunity to improve their economies and acquire good living conditions, as their production does not require a greenhouse or specialized irrigation system and it has significant profitability. Another activity that revitalizes the canton's economy is livestock, and even though the projected areas for this activity are very irregular, having exaggerated uneven slopes, lack of technical soil studies, etc., the land's soil is still nutrient-rich with enough moisture to ensure a good production of pastures.

According to the canton's Gross Value Added (GVA) contribution to the province by activity branch of the three main sectors of economic production, El Pan represents 2.6% of agriculture, livestock and forestry practice, with a GVA of \$4 609 dollars, the industry and manufacturing activity represents less than 0.1% for the province of Azuay with a GVA of \$17 000 dollars, and in regards to trade activities the canton represents in average a 0.1% for the province and \$410 000 in GVA numbers. (PDOT Prefectura del Azuay, 2015)

Table 7

Contribution of the cantonal Gross Value Added (GVA) to the province by economic activity branch

| <i>Province VS Canton (GVA thousands of dollars \$)</i> | <i>Agriculture, Livestock and Forestry</i> | <i>%</i> | <i>Manufacturing Industry</i> | <i>%</i> | <i>Trade</i> | <i>%</i> |
|---|--|----------|-----------------------------------|----------|--------------|----------|
| Total Province | 177 592.60 | 100% | 337 387.00 | 100% | 371 659.74 | 100% |
| Azuay | | | | | | |
| Total Cantón El Pan | 4 609 | 2.6 % | 17 | 0.0% | 410 | 0.1% |

Elaborated by García; Lopez Source: by Central Bank of Ecuador 2015

2.4.1 Relationship between primary, secondary and tertiary economic sectors in the Canton of El Pan

As described in the following table; in a prominence order, 650 inhabitants (63.32%) are engaged in primary activities, then secondary activities follow with a 22.24% of the EAP and finally tertiary activities (15.43%). These numbers indicate that the economic livelihood of the majority of the population depends on agriculture, livestock and forestry activities.

Table 8

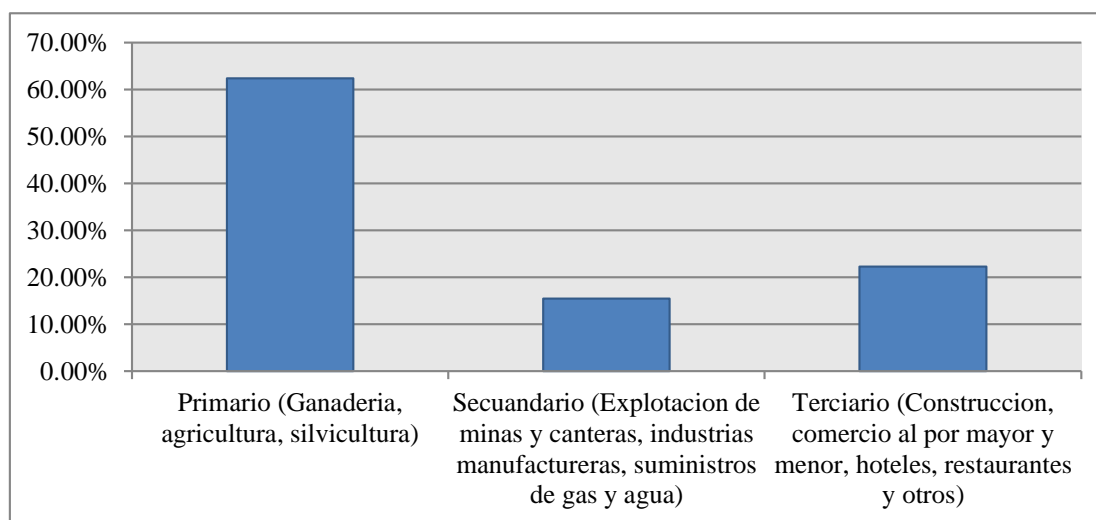
Description of the economic sectors relationship with the EAP

| <i>Economic Sector</i> | <i>EAP (Population)</i> | <i>% Total</i> |
|--|-----------------------------|--------------------|
| <i>Primary (Agriculture, Livestock and Forestry)</i> | 650 | 62.32% |
| <i>Secondary (Mining and quarrying, manufacturing industries and gas and water supplies)</i> | 161 | 15.43% |
| <i>Tertiary (Construction, wholesale and retail trade, hotels, restaurants and others)</i> | 232 | 22.24% |
| <i>Totals</i> | 1 043 | 100% |

Obtained by DPTP of the DAG canton El Pan 2014. Copyright 2010 by INEC

2.4.2 Percentage relationship of activities and productive sectors of the Canton of El Pan

Graphs 3 "Percentage relationship of productive sectors of the canton El Pan" and 4 "Description of productive activities of the territory's EAP" show that the canton is mostly responsible for activities belonging to the primary sector (agriculture, livestock and forestry) with an average of 62%, while the tertiary sector, which is responsible for activities such as construction and wholesale and retail trade, occupies a percentage of around 22%. The secondary sector maintains activities of mining, manufacturing industry and electricity, gas and water supply, these occupy about 16% of the EAP. (PDOT Cantón El Pan, 2014-2019)



Graph 3. Percentage relationship of productive sectors of the canton El Pan. Copyright 2014 by INEC.

| | | | |
|--|-----|-----|------|
| Population occupied in public administration and defense | 44 | 17 | 27 |
| Population employed in agriculture, livestock and forestry activities | 619 | 60 | 559 |
| Population occupied in arts, entertainment and recreation | 1.0 | - | 1.00 |
| Population employed in wholesale and retail trade | 64 | 19 | 45 |
| Population employed under construction | 85 | 18 | 67 |
| Population occupied in water distribution, sewerage and waste management | - | - | - |
| Population employed in education | 27 | 9 | 18 |
| Population occupied in the exploitation of mines and quarries | 2 | 1 | 1 |
| Population employed in manufacturing industries | 67 | 15 | 52 |
| Population engaged in information and communication | 2 | 1 | 1 |
| Population engaged in service activities | 4 | 2 | 2 |
| Population employed in electricity, gas, steam and air conditioning supply | 2 | 0 | 2 |
| Population occupied in transport and storage | 26 | 8 | 18 |
| Total | 997 | 170 | 827 |

Obtained by DPTP of the DAG canton El Pan. Copyright 2010 por INEC

Conclusion

The Cantons of Sevilla de Oro and El Pan have updated Development Plans and Territorial Planning's (DPTP) with the necessary information to prepare an appropriate study and report on the general characteristics of each sector. However, each canton has its own database and research methods, which is why each DPTP organization is developed through different observation points.

In the canton of Sevilla de Oro, information gathering was easy to perform due to the excellent organization promoted by the Municipal DAG, while in the canton of El Pan the information and data needed for the research, demanded more effort to be obtained, due to the fact that in this sector the DAG promotes mostly an office management model than a field one, whereas quite the opposite occurs in the cantonal DAG of Sevilla de Oro which has a field and work management model.

In the cantons of Sevilla de Oro and El Pan it is observed that the inhabitants practice a peasant life; therefore, most of the population are located in rural areas, because of the climate and geographical location factors which are favorable to agricultural activities. Commonly the cantons have different characteristics (climate, location, land fertility, manual labor, natural water sources, etc.) that allow them to be recognized as potential exporters of raw materials and added value products.

A high rate of illiteracy is present in both rural areas of Seville de Oro and El Pan, which is determined in adults among people aged 15 years and above and in youths among people aged 15 to 24 years. Illiteracy occurs because several children living in these regions are forced to work in fields as manual labor instead of attending school.

According to both of the cantons' Gross Value Added (GVA), contribution to the province by activity branch of the three main sectors of economic production, one can conclude that their statistics are not representative for the province of Azuay, since the results mentioned above show values that do not exceed 1%, which is the case for the canton of Sevilla de Oro in terms of trade activities and manufacturing industries, as well as for the canton of El Pan for to activities derived from trade. However, in the canton of Sevilla de Oro, a small provincial contribution of 5.6% can be observed within the primary sector with a GVA of \$10 024 dollars.

CHAPTER 3

ANALYSIS OF THE ACTUAL SITUATION AND EXPORT POTENTIAL OF SMES IN THE CANTONS OF SEVILLA DE ORO AND PAN

Introduction

In this third chapter, information will be acquired through the DAGs of each canton and by means of this thesis research project it will be determined whether or not the associations, collection centers and producers fulfill the minimum requirements in order to be considered as potential exportable offer.

The modified Export Audit test will be used for the easy understanding and adjustment of the small producers and associations in the area, by which specific information will be obtained from each. Afterwards, each of the collection centers and associations of the sectors of the cantons of Sevilla de Oro and El Pan will be visited, since the information available is limited, making it difficult to contact each other by phone, mail or some other way.

Within the analysis, administrative, organizational and associative aspects will be qualified. At the same time, it will also be determined which productive, financial and accounting aspects, logistics, promotions and sales of each association fulfill the basic characteristics in order to be a possible candidate of exportable offer.

3.1 Methodology plan for the Thesis Research Project

A work plan was developed in conjunction with Engineer Antonio Torres (professor at the University of Azuay) and Engineer Luis Salcedo Alvares (zonal specialist of PRO ECUADOR) in order to carry out an in-depth study on the exportable potential of the different associations, SMEs and collection centers in the cantons of Sevilla de Oro and El Pan. To date, there is no study that shows the true potential of the products prone to export from the areas mentioned above. Consequently, a database will be developed which makes it possible to identify which associations are producers and at the same time non-producers, the product that is cultivated, processed or

elaborated, and the administrative, logistical, sales, productive and financial characteristics that each one has.

Considering that it is a Qualitative Formative-Descriptive investigation, primary information will be acquired from the technical directors of each Municipal DAG of the cantons Sevilla de Oro and El Pan. Later, with the acquired information, the respective visit to the associations will proceed in order to carry out the export audit interview.

3.1.1 Export audit methodology for producers, associations and SMEs in the cantons of Sevilla de Oro and El Pan

After carrying out the respective methodology plan, the investigation started, making use of the Export Audit Test Model (MIPRO) along with the Export Potential Test (PRO ECUADOR). However, in order to obtain better results and to make the surveys suitable for associations, the researchers resolved to modify the test model into a simple and specific version that was easy for the interviewees to understand and that was better to be handled by the researchers. The changes mentioned above were made due to the fact that the Export Audit test is designed for exporters and SMEs, but not for small producers in the rural sector, who do not have export potential yet.

The export audit is a qualitative interview that is classified into four aspects:

1. Administrative, Organizational and Associative Aspects
2. Product and Productive Aspects
3. Financial and Accounting Aspects
4. Sales, Promotion and Logistics Aspects

The export audit has a rating scale of 5 points, divided into 3 levels of achievement:

1. Does not Achieve = 0
2. Partially Achieves = 3
3. Achieves = 5

Table 10

Export Audit Interview

| QUALIFICATION OF THE ASSOCIATION | | | |
|---|-------------------------|---------------------------|--------------|
| ADMINISTRATIVE, ORGANIZATIONAL AND ASSOCIATIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have any type of certification? | | | |
| 2 Do you have a Sanitary Registry? | | | |
| 3 Are all the members active? | | | |
| 4 Are you currently associated with any government entity? | | | |
| 5 Do the members meet every week to discuss association issues? | | | |
| PRODUCT AND PRODUCTIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Is it voluminous? | | | |
| 2 Is the product not easily damaged? | | | |
| 3 Is the product easily transported? | | | |
| 4 Is production clean? | | | |
| 5 Does it have added value? | | | |
| 6 Is the production low-risk? | | | |
| FINANCIAL AND ACCOUNTING ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have IRS? | | | |
| 2 Do you have RICE? | | | |
| 3 Are you covered by a bank loan? | | | |
| 4 Does the company have an accounting system? | | | |
| 5 Does it have the capital to increase its production? | | | |
| SALES, PROMOTION AND LOGISTICS ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Does your product have a steady price? | | | |
| 2 Is the production cost low? | | | |
| 3 Do you use the internet to promote your product? | | | |
| 4 Do you sell directly to the consumer? | | | |
| 5 Does the product surpass local sales? | | | |
| TOTALS | | | |

Elaborated by García; Lopez

3.1.2 Traffic Light Qualification Methodology

The results of the Export Audit will be evaluated using the traffic light qualification methodology, which establishes three measurement ranges which are designated with red for the aspects that obtain a score from 0 to 35, yellow for those from 35 to 85 points and green for those from 85 to 105 points.

Table 11

Traffic Light Qualification Methodology

| Rank | Traffic light |
|-----------|---------------|
| 0 to 35 | Red |
| 35 to 85 | Yellow |
| 85 to 105 | Green |

Elaborated by García; Lopez

3.2 Process for Associations of the Canton of Sevilla de Oro

At first, the primary assignment was to visit the DAG of the canton of Sevilla de Oro, where information was requested from all the producers in the area in order to carry out the research. In the municipal DAG, with the help of the Director of Environment and Environmental Protection, Dr. Mauricio Padilla, who kindly provided the necessary information (DPTP of Sevilla de Oro, associations database, collection centers, producers with their respective contacts, telephone numbers and address) that was required for the thesis research. Dr. Padilla not only handed over the lists of active and non-active associations needed for the SME classification, but was kind enough to provide his own guidance for mostly every interview of each area of the different townships of the canton, which, incidentally, were not easily accessible and would have been difficult to locate without his help.

From the entire list of associations and producers mentioned above, only 6 SMEs were selected due to the fact that the rest of the associations are no longer active, do not have productive purposes, or are considered micro-enterprises.

3.2.1 List of Interviewed and Non-Interviewed Associations from the Canton of Sevilla de Oro

Of the total of the 14 associations in the canton of Sevilla de Oro, 6 active associations were interviewed. The main reasons for why some associations were not interviewed were because they were dissolved, they are not active or they are not considered producers.

Table 12

List of existing Associations in the canton of Sevilla de Oro

| List of existing Associations in the Canton of Sevilla de Oro | | |
|---|--|---------------|
| Ms. Orfelina Argudo | Cleaning Services Association “Amaluza Portal del Oriente” | Not producers |
| Ms. Leticia Argudo | “Amaluza” Women's Association (AMAD) | Not producers |
| Mr. José Calle | “Osomache River” Association | Not active |
| Mr. Milton Tamay | “South East” Maintenance Services Association | Not producers |
| Mr. Franco Lliguizaca | Association "Jesús del Gran Poder" (Milk Collection Center) | Interviewed |
| Ms. Elizabeth Aguilar | Artisan Producers Association of “Jordan” | Not active |
| Ms. Tania Arce | Producers Association of “San Francisco” | Not active |
| Mr. Javier Méndez | Association “Asoprolac” (Unprocessed Milk Collection Center) | Interviewed |
| Ms. Bella Lituma | Producers Association of Ornamental and Forest Plants of “Osoyacu” | Interviewed |
| Mr. Julio Ortiz | Association “San José de Chalacay” | Interviewed |
| Ms. Lizbeth Villavicencio | Independent Organic Strawberry Association | Interviewed |
| Ms. Mónica Isabel Cárdenas Contreras | Artisan Association "La Unión". | Interviewed |
| Eng. Marcelo Cando | Association “Collay River” | Not active |
| Mr. Manuel Córdova | Maintenance and Service Association “Virgen de Guadalupe” | Not producers |

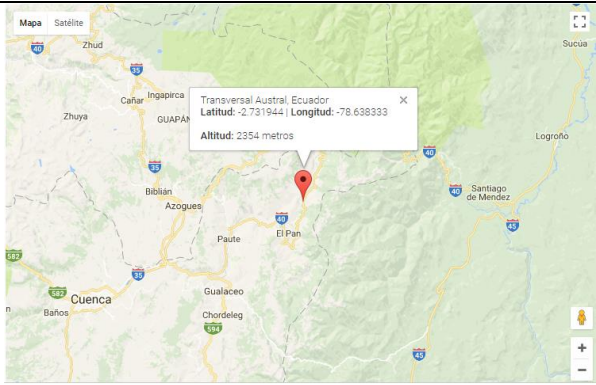
Elaborated by García; Lopez

3.3 Application of the Interviews of the Canton of Sevilla de Oro

3.3.1 Profile Information of Association “José de Chalacay”

Table 13

Profile Information of Association “José de Chalacay” (ANNEX 1)

| | |
|---------------------------------|---|
| NAME | Association “José de Chalacay” |
| PRODUCT | Biol (Organic Liquid Fertilizer) |
| IRS | No |
| SANITARY REGISTRY | No |
| LOCATION | Canton: Sevilla de Oro Township: Palmas |
| COORDINATES: | 2°43'55"S 78°38'18"O |
| CONTACT PERSON | Mr. Julio Ortiz (President of the Association) |
| TELEPHONE AND REFERENCES | #3011691 |
| DATE OF INTERVIEW | October 12, 2017 |
| LOCALIZATION IMAGE |  |

Elaborated by García; Lopez

3.3.1.1 Administrative, Organizational and Associative Aspects

This organization was created in 2009 through the Environmental Compensation Fund provided by CELEC, which offered machinery (storage tanks for liquid manure) and financial assistance for the creation of this small association. It is formed by 12 members who have an organizational structure of its President Mr. Julio Ortiz, in addition to having a vice-president, secretary and treasurer. As far as Manpower is concerned, all the producers are in charge of the BIOL production processes. Currently, the organization is independent (contribution of each member).



Photo 1. Photographs of the Association “José de Chalacay” and the elaboration of (BIOL).

3.3.1.2 Product and Productive Aspects

BIOL is a liquid organic fertilizer created from River Algae (Lechuguin), found in the Mazar reservoir. Its production is not cyclic. It can be obtained throughout the year since the river plant from which the BIOL is obtained does not require any special care. An advantage of this product is that its raw material (River Algae) is easily obtained and the plant survives any drastic climate change. BIOL is not toxic and therefore does not pollute the environment. Since it does not require a complicated process of elaboration, acquisition of this organic fertilizer is relatively simple, requiring only a suitable place for the elaboration process. However, eco-toxicological studies were conducted by the public company CELEC in September 2017 in the reservoirs of Mazar and Amaluza, which determined that there is danger to human health due to the high percentage of accumulation of heavy metals (lead, arsenic, cadmium and mercury) in the meat of the different fish analyzed, in addition to finding a high concentration of lead in the lechuguin due to the neglect of the cities and towns in the basin of sewage and rainwater discharges, which is absorbed and accumulated by the roots of this plant.

For the preparation of BIOL containers and their respective cloth meshes, containers for rinsing algae, strainers and plastic bottles for storage (1 liter) are needed. Once the algae have been collected, they should be washed, placed in the container and moved periodically. This procedure should be done in a remote place as its smell intensifies over time. Once all the algae are inside the container, they should be completely filled with water until they are covered and should be protected with a fabric mesh.

The process to obtain BIOL organic fertilizer takes approximately 4 months (with constant production). It is then stored in tanks and marketed in plastic bottles of 1 liter each. The association “José de Chalacay” has a production level of 200 liters of organic liquid fertilizer per week and its elaboration is considered artisan. An advantage that BIOL has over other products is that it is not necessary to give added value since it is promoted as a 100% organic guaranteed fertilizer.

3.3.1.3 Financial and Accounting Aspects

BIOL's production association does not have IRS record, sanitary registry, nor any type of certification. This association does not qualify for credit, is currently independent, has no contribution from members and has no record of accounting activity. BIOL has low production costs and therefore does not require much investment.

3.3.1.4 Sales, Promotion and Logistics Aspects

The production process of the fertilizer takes 4 months, and obtaining its raw material (River Algae) is not cyclical, so it can be marketed throughout the year. The final product is sold to the public in plastic bottles of 1 liter each, at a price of \$ 0.80 dollars. The association has a production capacity of 200 liters per week. The majority of its sale is local, as producers in the area (Townships: Amaluza, Palmas and Sevilla de Oro) are those who source BIOL for their plantations. Sales are made through two distribution channels, one of them being direct to the public and another being to a retailer in the same canton.

3.3.1.5 Export Audit Qualification Results

Table 14

Traffic Light Qualification of the Association “José de Chalacay”


| | | | |
|------------------------------------|----------|-----------|-----------|
| Totals | 0 | 9 | 45 |
| Traffic Light Qualification | | 54 | |

Elaborated by García; Lopez

3.3.2 Profile Information of Association “Asoprolac”

Table 15

Profile Information of the Collection Center “Asoprolac” (ANNEX 2)

| | |
|---------------------------------|--|
| NAME | Association “Asoprolac” (Unprocessed Milk Collection Center) |
| PRODUCT | Unprocessed Milk |
| IRS | 1191736563001 |
| SANITARY REGISTRY | No |
| LOCATION | Canton: Sevilla de Oro Township: Palmas/ Tuban Community |
| COORDINATES: | 2°39'21"S 78°36'20"O |
| CONTACT PERSON | Mr. Javier Méndez (President of the Association) Mr. Carlos Guerrero (Producer) |
| TELEPHONE AND REFERENCES | #0994756740 |
| DATE OF INTERVIEW | October 12, 2017 |
| LOCALIZATION IMAGE |  |

Elaborated by García; Lopez

3.3.2.1 Administrative, Organizational and Associative Aspects

The Association of Dairy Products and Meat/Minor Species (Asoprolac) was created in 2009 through the Environmental Compensation Fund provided by CELEC, the support of MAG who provided machinery and training by DAG. In 2015 it became a milk collection center through its own investment, in addition to the support mentioned above. It is formed by its President named Mr. Javier Méndez, a secretary, treasurer and producers. One of the producers is Mr. Carlos

Guerrero, who provided all the information of the association. It is currently considered a family organization with 6 active members.



Photo 2. Own photographs of the Collection Center “Asoprolac”, a producer and elaboration of Unprocessed Milk.

3.3.2.2 Product and Productive Aspects

The association “Asoprolac” is currently a collection center for unprocessed milk, with a daily production of 3 000 to 5 000 liters. Milk is collected daily by the association through its own transport and is obtained from approximately 170 producers from the areas, and then delivered and sold to the company Nutri Leche at a price of \$0.41 dollars.

Unprocessed milk is a product that is easily spoils because it is a liquid that has not undergone any alteration. Therefore, as this milk has not been modified, there are other external factors that can damage the milk such as climate (high temperatures) and internal factors such as lack of care and quality control that should be given daily, which makes it lose its own organoleptic¹ properties.

“Asoprolac” has a drawback when it comes to quality control of unprocessed milk, which is what normally happens with any collection center or association of untreated milk of the cantons of Sevilla de Oro and El Pan: a single liter of altered milk puts at risk 5 000 liters of untreated milk. The problem comes from the members and producers of the association: from members, for not making a check and quality control at the time of collecting each delivery of milk; and from

¹ “Foods have nutritious and concrete properties, some of which can be captured through our senses. Thus, the color, flavor, smell or texture of a substance provides relevant information about its characteristics as a food”. (Definición ABC, 2018)

the producers for altering the milk through the excessive and improper use of certain antibiotics, in addition to adding water to increase the amount of liters sold.

Normally, the average values for excellent milk quality are, as indicated by the Director of Environment and Environmental Protection of the GAD of Seville de Oro, Dr. Mauricio Padilla, that optimal pH values of unprocessed milk are 6.6 on average, with a pH above this value indicating beginning stages of mastitis². Conversely, lower pH values occur because of the presence and development of microorganisms in milk.

There are effective and fast ways to do quality control tests for unprocessed milk. During field research, a test was developed which does not need any expensive material or higher technological level and at the same time did not take more than 5 minutes for its verification.

- Acidity Test

This test is used to calculate whether unprocessed milk has irregular acidity in its components. This is done by mixing equal amounts of milk and alcohol, where slightly acidic milk will form lumps, demonstrating the degree of quality and freshness of the milk.

- Results

If lumps form, it is a positive test and this means the milk is acidic. If the milk is fresh, no lumps will form and a negative test will be obtained.

3.3.2.3 Financial and Accounting Aspects

The collection center “Asoprolac” does not have IRS record, sanitary registry or any type of certification. This association is not able to obtain a credit, they are currently semi-independent because the MAG (Ministry of Agriculture and Livestock) provides support through delivery of testing equipment for unprocessed milk, like the 2 Tri-Sensors machines which are valued at \$450 dollars each. However, other inputs such as pipes, test tubes, Phi-meters, thermometers, lighters,

² *“Bovine mastitis is the most common disease of dairy cows, where inflammation of the mammary gland causes negative changes in the biochemical composition of milk and gland tissue; therefore, it also affects the quality of milk. (Sanchez Grau, 2015)*

stoves and other equipment are obtained from personal investment. Each quality control kit for milk costs \$15, all of which and more are obtained through the contribution of the members of the collection center.



Photo 3. Own photographs of the Collection Center “Asoprolac” and analysis equipment for Unprocessed Milk (Tri-Sensors).

The unprocessed milk business generates unstable profit because any collection center could close its doors in a matter of days, regardless of the enormous amount of milk they collect and deliver on a daily basis. In other words, “Asoprolac” sells a liter of milk at a fixed price of \$0.41 to Nutri Leche, and buys the milk from each producer for \$0.37 dollars, generating \$0.04 dollars of profit, which becomes \$200 dollars if it maintains its production of 5 000 liters daily. The collection center in one month generates an approximate amount of \$6 000 dollars, as Mr. Javier Méndez, President of the collection center, explains, of which, about \$3 500 dollars per month are considered fixed income. The problem is found when they adulterate the milk and quality controls are not made by each producer as mentioned above, since Nutri Leche takes very high quality measures and if they find adulterated milk they return it immediately. This means that “Asoprolac” has to get rid of the product. If this happens, the collection center loses approximately \$1 500 dollars in one day and in three days they would have lost \$4 500 dollars, which means bankruptcy for the organization.

3.3.2.4 Sales, Promotion and Logistics Aspects

“Asoprolac” has a collection of 3 000 to 5 000 liters of unprocessed milk per day. This collection center acts as an intermediary for the approximately 170 milk producers, and the Nutri Leche company is the association’s wholesale distribution channel. The sale of milk to this company is \$0.41 per liter and each producer is offered a price of \$0.37 dollars. With the surpluses of untreated milk, they produce cheese at \$1.20 per pound and sell it locally. They have their own transport for the collection of milk: a truck with a tank of approximately 2 600 liters, and another one of 2 400 liters.

3.3.2.5 Export Audit Qualification Results

Table 16

Traffic Light Qualification of Collection Center “Asoprolac”

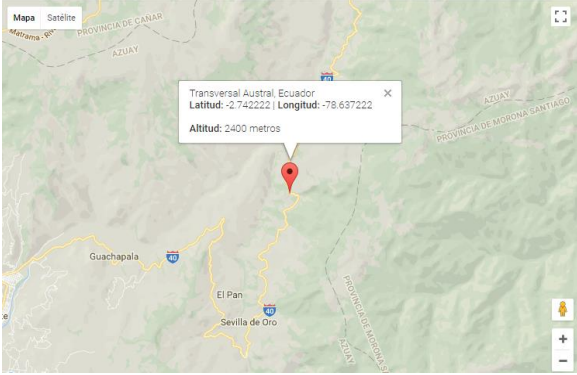
| | | | |
|------------------------------------|----------|-----------|-----------|
| Totals | 0 | 21 | 25 |
| Traffic Light Qualification | | 46 | |

Elaborated by García; Lopez

3.3.3 Profile Information of the Independent Organic Strawberry Association

Table 17

Profile Information of the Independent Organic Strawberry Association (ANNEX 3)

| | |
|---------------------------------|---|
| NAME | No Name |
| PRODUCT | Organic Strawberry |
| IRS | No |
| SANITARY REGISTRY | No |
| LOCATION | Canton: Sevilla de Oro Township: Palmas/ Comunidad San Marcos |
| COORDINATES: | 2°44'31"S 78°38'13"O |
| CONTACT PERSON | Ms. Lizbeth Villavicencio (President of the Association) |
| TELEPHONE AND REFERENCES | #3012349- 0992975193 |
| DATE OF INTERVIEW | October 12, 2017 |
| LOCALIZATION IMAGE |  |

Elaborated by García; Lopez

3.3.3.1 Administrative, Organizational and Associative Aspects

This association was created in 2012 through the initiative, labor and investment of Mr. Javier Calderon, who is a well-known producer in the canton of Guachapala. Mrs. Vilma Molina, President of the association, comments that Mr. Javier Calderón provided great help to his family with the support of this idea of undertaking the project. Thanks to the effort of the 8 members of the family Villavicencio-Molina and the great experience and knowledge of Mr. Calderon is that the independent association of growers of Organic Strawberry was created. The association does not register a name. Among its 8 active members there is a treasurer known as Mrs. Lizbeth Villavicencio, who works in the accounting area of the SME, followed by the producers who are in charge of the workforce along with the president. This Organization also maintains the support of monthly trainings granted by the municipal DAG of the canton of Sevilla de Oro.



Photo 4. Own photographs of Independent Association of organic strawberry growers, together with a producer.

3.3.3.2 Product and Productive Aspects

The Organic Strawberry association has a total of 7 000 plants in an area of approximately 700m², located in a single plastic greenhouse. It also has an irrigation system called Venturi that is based on automatized water irrigation with a mixture of natural nutrients for the strengthening and growth of the plant. The plant has a duration of 2 years and a half, and takes approximately 2 months from the time the sprout is implanted until the plant is bearing fruit. Because the organic strawberry is under a greenhouse, it accelerates the process of germination and maturation of the plant. The method of sowing is by division, which is one of the most used methods for the production of strawberries, where new plants are separated from a mother plant and then placed in

a single definitive place. For this, it is necessary to gather plants of excellent quality, that have been cultivated in specialized nurseries and that are free of virus or diseases.

The Organic Strawberry association imports two types of plants to cultivate better fruit, differentiated and with improved aptitudes, those being of Chilean and Californian origin. This plant is mostly organic since what is most needed for planting, harvesting and production is the Venturi irrigation system, chicken fertilizer, a simple ventilation system and control of pests and diseases through organic fungicides and chemicals when required. Mrs. Vilma Molina (President) explains that the strawberries from this area are very different from the ones from the north in terms of quality, because of its much sweeter flavor, firm texture and much brighter color. The competition is not so severe because the area is purely livestock, so there are few fruit and vegetable enterprises to be found. The members of the association cultivate 1 000 pounds a week during harvest period. One advantage of the product is its high organic percentage and that it can be cultivated at any time of the year. In addition, the association uses its surpluses for the elaboration and sale of jams, cakes, and, with the training of the DAG, wine is beginning to be elaborated, which indicates how the product presents multiple options of added value.

3.3.3.3 Financial and Accounting Aspects

The Organization does not have its own IRS record, sanitary registry or any type of certification. It, however, always has recognition in local newspapers and fairs of Paute, who constantly ask for its presence. The association is not subjected to any type of credit, and are currently independent. It has excellent capital management because one of its members is an accountant and directly manages the company's profits and possible losses. The investment made by the members together with Mr. Javier Calderón was approximately \$10 000 (greenhouse) and currently, the members contribute to various inputs such as plants and the Venturi system that costs approximately \$80.

3.3.3.4 Sales, Promotion and Logistics Aspects

The association has a production of approximately 1 000 pounds per week from the period of its harvest. It a fixed value of \$1 dollar per pound. Cost of production is low, since you need inputs such as Californian plants (\$0.31 dollars per plant) and Chilean plants (\$0.45 dollars each), (these plants have a duration of 2.5 years), chicken manure (\$1.35 dollars per kilo) and the use of certain fungicides to control pests and diseases which are mostly organic. The same members are in charge of sale, logistics and production since they have their own transport. The fruit is transported in buckets of 15 pounds and is distributed approximately 60 buckets per week. Most of its production is sold in the canton of Sevilla de Oro, while another part of the production is sold in Paute, Cuenca and Gualaceo.

3.3.3.5 Export Audit Qualification Results

Table 18

Traffic Light Qualification of the Independent Organic Strawberry Association

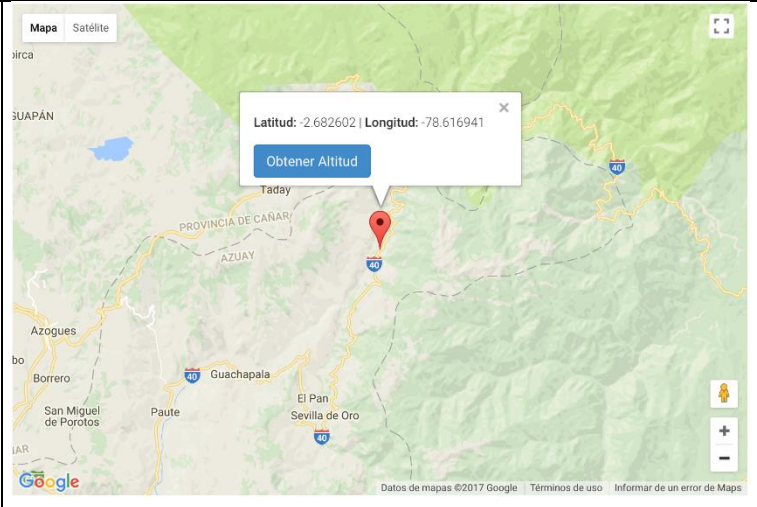
| | | | |
|------------------------------------|----------|-----------|-----------|
| Totals | 0 | 9 | 65 |
| Traffic Light Qualification | | 74 | |

Elaborated by García; Lopez

3.3.4 Profile Information of the Association “Producers of Osoyacu”

Table 19

Profile Information of the Association “Producers of Osoyacu” (ANNEX 4)

| | |
|---------------------------------|---|
| NAME | Association “Producers of Osoyacu” |
| PRODUCT | Ornamental and Forestal Plants |
| IRS | No |
| SANITARY REGISTRY | No |
| LOCATION | Canton: Sevilla de Oro Parish: Palmas / Osoyacu Community |
| COORDINATES: | 2°40'57 "S 78°37'00 "O |
| CONTACT PERSON | Ms. Bella Lituma (President of the Association) |
| TELEPHONE AND REFERENCES | #0983426603 |
| DATE OF INTERVIEW | November 24, 2017 |
| LOCALIZATION IMAGE |  |

Elaborated by García; Lopez

3.3.4.1 Administrative, Organizational and Associative Aspects

The organization of Ornamental and Forest Plants “Producers of Osoyacu” was created in 2009. Initial investment was made possible thanks to CELEC through the environmental compensation fund, who helped form this association by initially providing advice, inputs and the acquisition of the plant. Also, the contribution is complemented with every member in order to start the cultivation of the ornamental and forest plants. The association is formed by 10 members (all active). It has an organizational structure formed by President Bella Lituma, Vice President

Aida Palacios, Treasurer Luz Calle and Carmela Rodriguez, who is one of the active members of the association. All members meet every week and work together for the plantation. It is an independent organization at present since they do not receive any kind of financial assistance from any public entity.



Photo 5. Own photographs of Association “Producers of Osoyacu”, along with a producer.

3.3.4.2 Product and Productive Aspects

The plants that the organization of “Producers of Osoyacu” mostly cultivate are alder, cane, walnut, coconut and “motilones”. The association has a greenhouse of approximately 3 500 plants, and its surroundings also grow plants that do need a greenhouse to grow. The Raw material (seeds) is obtained mostly per ounce from the Paute market, and from each package, up to 500 plants can be sown. From the moment the plants are sown until they are commercialized they have a growth time of approximately two months. The irrigation system used by this association are sprinklers. All the plants of the association of “Osoyacu” are cultivated naturally using organic fertilizer, without artificial fertilizers.

Raw material (seeds) is obtained from the same plants of its production; another supplier of the association is the Paute market, whose coverings are marketed at a price of \$2.00 per plant. Land for sowing does not require any investment since the partners are responsible for preparing their natural fertilizer based on waste. Water for irrigation is not a problem either since that sector of the canton has enough water streams. Nevertheless, for the greater benefit of the association, a

tank was built to collect water. The monetary contribution for the elaboration of the water tank, water sprinklers and maintenance of the greenhouse reaches \$2 000 dollars annually, which was delivered by each of the partners. The greenhouse was also an investment of the association together with CELEC, which had an estimated cost of \$8 000 dollars.

3.3.4.3 Financial and Accounting Aspects

The association has no IRS, nor does it have any type of certification. They do not hold any loans with a bank or credit union. The financial sector is managed by its treasurer Luz Calle, who is in charge of financial management which includes administration of the money contributed by each member, plant sales, and its expenditure for different activities. The association of “Osoyacu” does not present any type of accounting record since, as specified before, it only has a treasurer for the administration of capital.

3.3.4.4 Sales, Promotion and Logistics Aspect

The sale of the association's plants is generally destined for the DAG of Sevilla de Oro and for CELEC, who require ornamental plants for their institutions. These entities usually make large purchases of about three times a year. Price of the plants can go from \$0.30 to \$2.00 dollars each, depending on the species. The rest of the sale is sporadic, as people from the sector come to the production center of the association to purchase the product.

3.3.4.5 Export Audit Qualification Results

Table 20

Traffic Light Qualification of Association “Producers of Osoyacu”

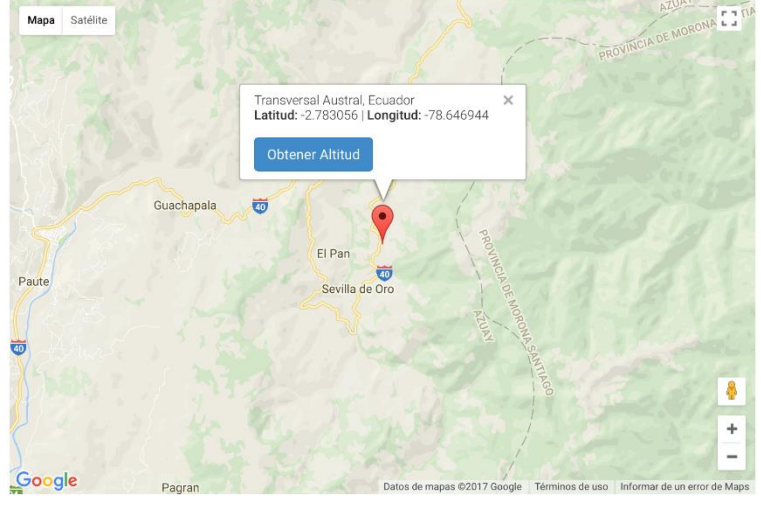
| Totals | 0 | 15 | 35 |
|------------------------------------|----------|-----------|-----------|
| Traffic Light Qualification | | 50 | |

Elaborated by García; Lopez

3.3.5 Profile Information of the Artisan Association of "La Union"

Table 21

Profile Information of the Artisan Association of "La Union" (ANNEX 5)

| | |
|---------------------------------|---|
| NAME | Artisan Association of "La Union" |
| PRODUCT | "Tomate Riñón" |
| IRS | No |
| SANITARY REGISTRY | No |
| LOCATION | Canton: Sevilla de Oro Township: La Unión |
| COORDINATES: | 2°46'59 "S 78°38'49 "O |
| CONTACT PERSON | Ms. Mónica Isabel Cárdenas Contreras (Treasurer) |
| TELEPHONE AND REFERENCES | #2280242 – 0993184660 |
| DATE OF INTERVIEW | October 17, 2017 |
| LOCALIZATION IMAGE |  |

Elaborated by García; Lopez

3.3.5.1 Administrative, Organizational and Associative Aspects

The Artisan association of "La Union" was created in 2009 with the financial support of each partner. It is an association dedicated to the production of "Tomate Riñón" which has three greenhouses distributed among the plots of different members. The association remains active with 11 members. It has an organizational structure with a President, Vice President, Treasurer (Mrs. Mónica Isabel Cárdenas Contreras) and producer members. The associates meet weekly to coordinate irrigation, greenhouse care and harvest activities. Currently, they do not receive any kind of help from government or private entities; instead, everything is done on the initiative of the members, as "Tomate Riñón" requires a lot of care.



Photo 6. Own photographs of the Artisan Association of "La Union" of "Tomate Riñón", along with a producer

3.3.5.2 Product and Productive Aspects

"Tomate Riñón" is a fragile and highly perishable product, so it requires more care than other products. The association delegates three people for each greenhouse to irrigate and take care of the plantation daily. The plant has a useful life of 6 months, in which it produces only for 2 months and is harvested every week. During a week of good production, an estimated of 70 boxes of tomato are harvested, representing about 3 280 pounds for a total of approximately 46 pounds of tomato per box. Sale of the tomato depends a lot on the market price, the amount clients are willing to pay and the high competition they face, which results in an unstable price.

The “Tomate Riñón” currently has problems due to pests suffered by the plant (black spot, chocolate spot, cenicilla) which requires high care, and factors such as climate, soil and fertilizers that determine the quality of the product. In order to start sowing the tomatoes, first, the plant is acquired at a price of \$0.11 dollars in the municipal market of Paute, which does not represent much investment to its members. Investment is instead stronger in terms of greenhouses, where each can cost between \$8 000 and \$10 000 dollars. Its irrigation system (\$800 dollars) is also expensive.

3.3.5.3 Financial and Accounting Aspects

The association does not have any IRS record or any type of certification, all monetary contributions were made by members in order to create the association. The treasurer Mrs. Mónica Isabel Cárdenas Contreras who provided the information of the association is the person in charge of collecting the contributions of the partners and of distributing the profits between the same ones. They made a credit in the Bank of Ecuador of 6 months to invest in the system of tutoring and irrigation of the greenhouse (\$3 500 dollars). The association of “La Unión” does not present any type of accounting record since, as specified above, it only has a treasurer for the administration of the capital.

3.3.5.4 Sales, Promotion and Logistics Aspect

Sale of the product is carried out directly in the Municipal market of Paute since they are the ones who sell the tomatoes and thus avoid the use of intermediaries. The product is sold by boxes, or also known as 26 pound drawers each at a price of \$18.00 dollars. When yearly sale is good, this is the best price found in the market. Instead, when sales are low the product is sold at \$10.00 dollars each drawer. The transport of the product is realized with rental vehicles.

3.3.5.5 Export Audit Qualification Results

Table 22

Traffic Light Qualification of the Artisan Association of "La Union"

| | | | |
|------------------------------------|----------|-----------|-----------|
| Totals | 0 | 12 | 25 |
| Traffic Light Qualification | | 37 | |

Elaborated by García; Lopez

3.3.6 Profile Information of the Collection Center “Jesús del Gran Poder”

Table 23

Profile Information of the Collection Center “Jesús del Gran Poder” (ANNEX 6)

| | |
|---------------------------------|---|
| NAME | Collection Center “Jesús del Gran Poder” |
| PRODUCT | Unprocessed Milk |
| IRS | No tiene |
| SANITARY REGISTRY | No tiene |
| LOCATION | Canton: Sevilla de Oro Township: Amaluza / Paguancay Community |
| COORDINATES: | 2°38'8 "S 78°36'14 "O |
| CONTACT PERSON | Mr. Franco Llihuisaca (President of the Association) |
| TELEPHONE AND REFERENCES | #3012357 |
| DATE OF INTERVIEW | October 12, 2017 |
| LOCALIZATION IMAGE | |

Elaborated by García; Lopez

3.3.6.1 Development of administrative, productive, logistical and sales aspects

Although the organization of “Jesus del Gran Poder” is considered a micro enterprise, they are a clear example of a quality association which demonstrates excellent organization and management of its production processes. It distributes 1 500 liters per week of very good quality milk which is commercialized to Dairy Industries TONI S.A. The collection center has two cooling tanks with a capacity of 2 000 liters of milk each, an incubator, an industrial refrigerator and laboratory equipment to carry out control tests for antibiotics, protein and fat.

Although a small amount is distributed to the TONI company, sales are assured because they are direct producers, with no intermediaries present. The difference between this association and others is that they have a high degree of control at the moment of collecting the milk, where they carry out daily tests of acidity, antibiotics and water to each producer, forcing them not to alter the quality of the milk. The price of each liter of milk for the collection center “Jesús del Gran Poder” is \$0.51 dollars, which is one of the highest prices in the market.



Photo 7. Own photographs of Collection Center "Jesús del Gran Poder" along with producers, researchers and automatized milking equipment.

3.3.6.2 Export Audit Qualification Results

Table 24

Traffic Light Qualification of the Collection Center “Jesús del Gran Poder”

| | | | |
|------------------------------------|----------|-----------|-----------|
| Totals | 0 | 13 | 32 |
| Traffic Light Qualification | | 47 | |

Elaborated by García; Lopez

3.4 Process for Associations of the Canton of El Pan

At the start of the investigation, the DAG of the canton of El Pan was contacted, from which information was requested for all the producers in the area in order to carry out the thesis project. The Municipal DAG of the canton does not have a complete and updated database, so it was difficult to achieve each objective of this research. Mr. Fabián Alba, from the Municipal, gave a small list of the active associations of the sector, so it was necessary to go directly to the producers of each township in order to complete the information for the thesis research. The presidents of each association along with their producers provided everything required (addresses, telephone numbers, personalized guides inside and outside the sector, samples of the product and above all their valuable time) to complete the field work. From the entire list of associations and producers mentioned above, only 4 SMEs were selected due to the fact that the rest of the associations are no longer active, do not have productive purposes, or are considered microenterprises.

3.4.1 List of Interviewed and Non-Interviewed Associations from the Canton of El Pan

From the total of 8 associations in the canton of El Pan, 4 active associations were interviewed. The reasons why there are associations that were not interviewed was due to the fact that they were dissolved and are not active or are not considered producers.

Table 25

List of existing Associations in the canton of El Pan

| List of existing Associations in the Canton of El Pan | | |
|--|--|---------------|
| Mr. Galo Rivas | Association “Pequeños Ganaderos 7 de Agosto” | Interviewed |
| Ms. Azucena Maldonado | Association Small Agricultures Boliche River “Santa Teresita”. | Not active |
| Mr. Rigoberto Borja | Breeders Association “La Merced” | Interviewed |
| Ms. Secundina Contreras | Bakers Association of “Latin American” | Not active |
| Mr. Javier Espinoza | Artisan Association “16 de Septiembre” | Interviewed |
| Mr. Abdón Maldonado | Association “Señor de los Milagros” | Interviewed |
| Mr. Fabián Vizñhay | Small Producers Association of “Ñuñurco”. | Not active |
| Ms. Dolores León | Association of Cleaning Services “Brisas del Collay Acérnico” | Not producers |

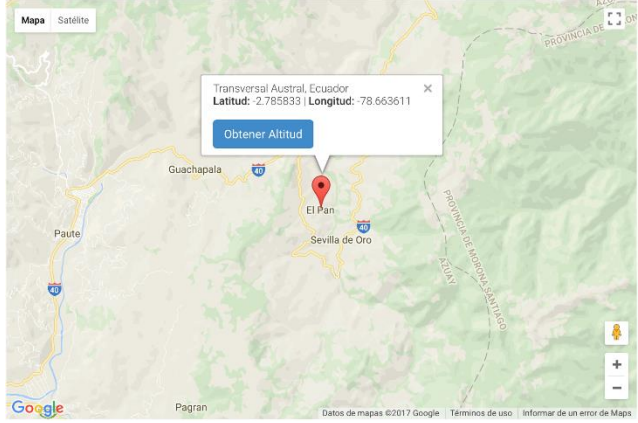
Elaborated by García; Lopez

3.5 Application of the Interviews of the Canton of El Pan

3.5.1 Profile Information of the Artisan Association of “16 de Septiembre”

Table 26

Profile Information of the Artisan Association of “16 de Septiembre” (ANNEX 7)

| | |
|---------------------------------|--|
| NAME | Artisan Association of “16 de Septiembre” |
| PRODUCT | “Castilla Blackberry” and derivatives (Pulp) |
| IRS | 0190365840001 |
| SANITARY REGISTRY | Being Processed |
| LOCATION | Canton: El Pan Township: El Pan |
| COORDINATES: | 2°47'9"S 78°39'49"O |
| CONTACT PERSON | Mr. Javier Espinoza (Producer Member and Vice President of the Association) |
| TELEPHONE AND REFERENCES | #0997578677 |
| DATE OF INTERVIEW | October 17, 2017 |
| LOCALIZATION IMAGE |  |

Elaborated by García; Lopez

3.5.1.1 Administrative, Organizational and Associative Aspects

The association is 10 years old since its creation (2007) and has 12 active members. It is currently an independent association, although in its beginnings it had the help of CELEC and the MAG by the Environmental Compensation Fund which was intended for small producers and farmers in the canton of El Pan, through delivered machinery for production processes. The association has also received help in its early stages from the FEPP (Populorum Progressio Ecuadorian Fund) with advice on the production of “Castilla Blackberry” and its derivatives. The organization of the company has a president named Atty. Marcelo Cardenas, and a Vice President Mr. Javier Espinoza, who provided the necessary information for the investigation, as well as a treasurer, secretary and producers. Producers administer their own crops. They also meet monthly to draw up action plans, sales, crop management and other issues related to the production of “Castilla Blackberry”.



Photo 8. Own photographs of Artisan Association of “16 de Septiembre”, along with producer.

3.5.1.2 Product and Productive Aspects

The association “16 de septiembre” has a total of 7 000 “Castilla Blackberry” plants among all its producer members. The plant has an estimated duration from birth of 10 to 15 years, which produces continuously throughout the year, this means that the plant does not have a cyclical production, generating thus a competitive advantage against other products. The production of

“Castilla Blackberry” is mostly organic, as only fertilizers and natural additives (BIOL) are used for the best growth of the fruit. Lately the “Castilla Blackberry” is exposed to an overpopulation of an insect known as “Carnavalero Beetle”, which feeds on the fruit and has led to increase care for each of their plantations.

This product has a sweeter taste than its competition (Northern Blackberry), which is the main reason, among other characteristics, for it being differentiated in the market. The 12 producers of the association cultivate 1500 pounds of blackberry on a weekly basis. Another advantage of this product is that it does not need greenhouses or any irrigation system, so its cultivation is not very technically-oriented.

The “Castilla Blackberry” has 3 stages until it is possible to harvest its fruits: the first lasts about 20 days, which is where a new plant is born; the second stage lasts about 40 days and this is known as the formation and development process, in this stage the plants are ready to be transplanted to a final site which lasts about 6 months and a half since the transplant was made, this stage is the productive phase where finally the blackberry is ready to be harvested and remains so for the next 10 to 15 years.

High harvest periods are from September to January, which are considered "summer" season, and low harvest periods are from February to March, which is where "winter" begins. Winter season causes much lower production due to the heavy rains that occur in the season, which causes a higher level of humidity resulting in the appearance of a fungus called "Botrytis", which makes the blackberry ripen too quickly and ending up rotting too easily, making it a present disadvantage in the product. However, this disadvantage is not considered a problem for the organization, since the amount of loss is small compared to what is sold. The “Castilla Blackberry” association has a cultivation method defined as "Tutores Method", which is based on cultivating the plant surrounded by Sauce trees, in order to combat deforestation and use eco-friendly practices. In addition to the commercialization of the fruit it maintains 150m² of plantation exclusively for the production of blackberry pulp, giving added value to the product.



Photo 9. Own photograph of “Carnavalero Beetle”

3.5.1.3 Financial and Accounting Aspects

The association has its own IRS, sanitary registry in process, and does not have any type of certification. The associations patrimony is \$90 000, divided into: \$75 000 from the Environment Compensation Fund (CELEC) and \$15 000 from a loan for the purchase of the land used for the production and manufacture of “Castilla Blackberry” pulp.

3.5.1.4 Sales, Promotion and Logistics Aspect

The “Castilla Blackberry” plant stabilizes its production from the first year of plantation. It has an estimated value of \$0.80 per pound and its price varies from \$0.50 to \$1.20 approximately depending on market factors, such as overproduction and lower prices than the competition (Northern Blackberry). Production cost is relatively low, since only the plant and fertilizers are invested for the fruit production without any additional derivatives, so, in fact, the price is valued from \$0.10 to \$0.15 for the plant and \$0.80 per liter for the liquid fertilizer (BIOL). As it is blackberry pulp, production cost is minimal since the machinery needed was a donation from the MAG and basically invests only in the packaging of the pulp, which is estimated at \$0.15 per package. The final price of the pulp is \$2.00 dollars per 450gr. And the distribution for the “Castilla Blackberry” and pulp is filled in buckets of 7 to 10 pounds for the markets of El Pan, Paute and Cuenca.

3.5.1.5 Export Audit Qualification Results

Table 27

Traffic Light Qualification of the Artisan Association of “16 de Septiembre”

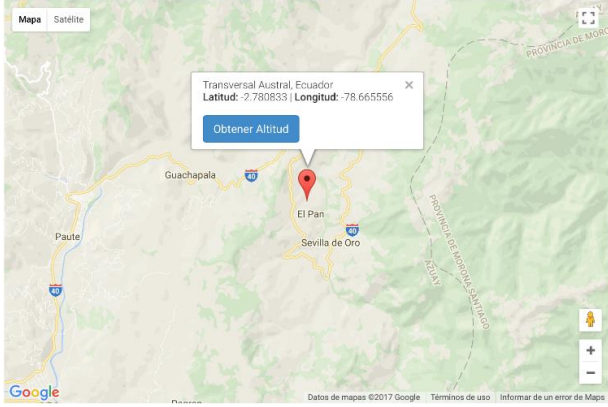
| | | | |
|------------------------------------|----------|-----------|-----------|
| Totals | 0 | 15 | 70 |
| Traffic Light Qualification | | | 85 |

Elaborated by García; Lopez

3.5.2 Profile Information of the Association “Pequeños Ganaderos Señor de los Milagros”

Table 28

Profile Information of the Association “Pequeños Ganaderos Señor de los Milagros” (ANNEX 8)

| | |
|---------------------------------|--|
| NAME | Association “Señor de los Milagros” |
| PRODUCT | Unprocessed Milk |
| IRS | No |
| SANITARY REGISTRY | No |
| LOCATION | Canton: El Pan Township: Huintul |
| COORDINATES: | 2°46'51"S 78°39'56"O |
| CONTACT PERSON | Mr. Abdón Maldonado (President of the Association) |
| TELEPHONE AND REFERENCES | # 09997565956 |
| DATE OF INTERVIEW | October 17, 2017 |
| LOCALIZATION IMAGE |  |

Elaborated by García; Lopez

3.5.2.1 Development of administrative, productive, logistical and sales aspects

The association “Señor de los Milagros” is another clear example of what it means to be persevering, innovative, and with knowledge and experience, when it comes to the production of Unprocessed Milk and the improvement of pastures. Mr. Abdón Maldonado, the president of this organization, explains that the association presents a lack of organization for some years now, before the MAGAP which is now MAG, had a technician with high knowledge in pasture improvement and untreated milk production, which kept the organization active and even had the purpose of creating collection center with the 23 original members (now 12 active members). When the MAG hired new technicians, the projects proposed by the technician Fabián Farfán, were not concluded.

Thanks to Mr. Maldonado’s acquired knowledge and social responsibility, the association still retains production of quality milk, has 5 small plots in which he raises 3 to 5 cows and 2 bulls per plot. Something impressive that was observed on the farm of this producer, is the great affection and commitment he has to his cattle, each cow responded to their landowner as if it were a pet to its owner, and had a surprisingly well-looking appearance. Mr. Maldonado explains that the feeding of a cow should be strictly varied; this means that at least three different types of grass must be present for them to produce quality milk. Mr. Maldonado's unprocessed milk production has a capacity of 350 liters daily, and he sells it at \$0.40 per liter as a producer. In 2015 students of the University of Cuenca made an analysis regarding the production of this product, giving as a result a certificate of "Unprocessed Milk of Excellent Quality". In addition, an Approved Vaccine for Aphtose Fever³ certificate was given by the university. The association has a special type of breeding for the cattle known as "Method for Forestals", which helps increase the quality of the livestock’s milk. The method consists of different practices such as keeping livestock in a wide space, with shade and water streams in constant movement, and not under stagnation in order to prevent spread of parasites and diseases from water to the cattle.

³ “A highly contagious, fast-moving viral disease affecting split or cloven-hoofed animals, characterized by fever and vesicle formation mainly in the oral cavity, muzzle, inter-digital spaces and coronary impellers of the hooves. (César & Uriarte, 2014)

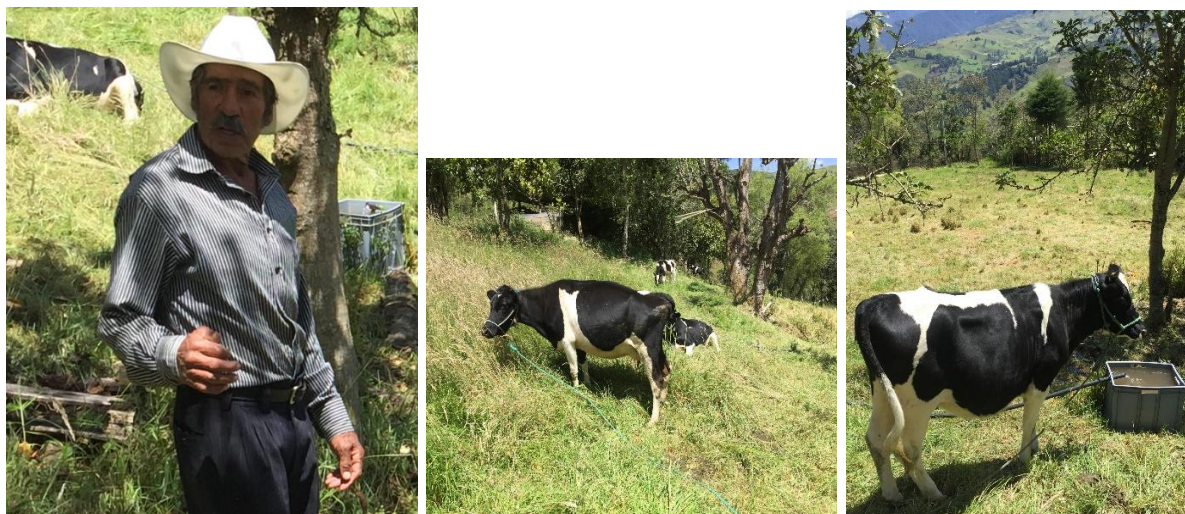


Photo 10. Own photographs of Association “Señor de los Milagros”, together with producer and cattle.

3.5.2.2 Export Audit Qualification Results

Table 29

Traffic Light Qualification of the Association “Señor de los Milagros”

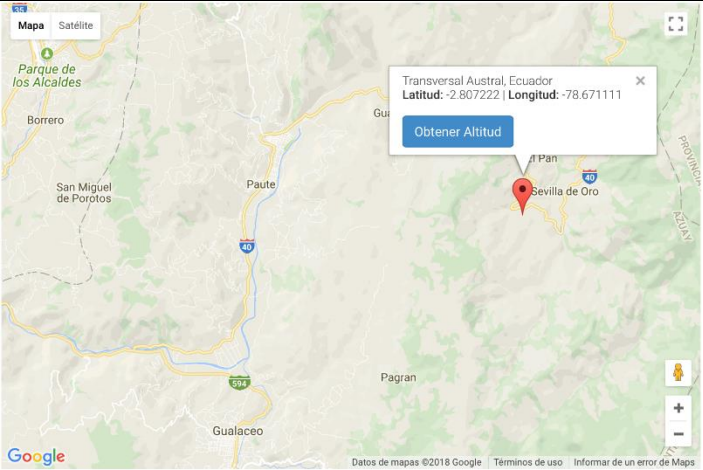
| Totals | 0 | 12 | 15 |
|-----------------------------|----|----|----|
| Traffic Light Qualification | 27 | | |

Elaborated by García; Lopez

3.5.3 Profile Information of the Association “Pequeños Ganaderos 7 de Agosto”

Table 30

Profile Information of the Association “Pequeños Ganaderos 7 de Agosto” (ANNEX 9)

| | |
|---------------------------------|---|
| NAME | Association “Pequeños Ganaderos 7 de Agosto” |
| PRODUCT | Unprocessed Milk and Bocashi fertilizer |
| IRS | No |
| SANITARY REGISTRY | No |
| LOCATION | Canton: El Pan Township: San Vicente |
| COORDINATES: | 2°48'26"S 78°40'16"O |
| CONTACT PERSON | Mr. Galo Rivas (President of the Association and Vice Mayor of El Pan Parish) |
| TELEPHONE AND REFERENCES | #0991198695 |
| DATE OF INTERVIEW | December 6, 2017 |
| LOCALIZATION IMAGE |  |

Elaborated by García; Lopez

3.5.3.1 Development of administrative, productive, logistical and sales aspects

The association “Pequeños Ganaderos 7 de Agosto” is a microenterprise with a lot of potential to sell its products. Even though the association does not commercialize what they produce at the moment, they do produce 400 to 450 liters of milk daily from one of the producers (Mr. Galo Rivas) which are commercialized to the collectors of collection centers of the sector, for the Nutri Leche company, at a price of \$0.40 dollars per liter. All the other production

(vegetables, beans, maize, potatoes, dairy products, organic fertilizers, bocashi) is destined exclusively for the consumption and use of the same association. The association has 30 active members so their production is considerably wide. It has an administrative structure constituted by a President (Mr. Galo Rivas), Vice President, Treasurer, Secretary, members and producers. It was created in 2013 with a contribution of \$320 dollars per member; they accredited as an association by the MAG (Ministry of Agriculture and Livestock); they have no IRS or any type of certification and are subject to a credit by the "Cooperativa Jardín Azuayo" for 4 years. The potential of the association is focused in the production of organic fertilizer (Bocashi) composed mostly by: "Gallinaza, yeast, molasses, trichodermas, phosphoric rock, black soil and Cascarilla Rice". The Organic Fertilizer needs a production cost in raw material of \$1 300 to \$1 500 dollars in order to be able to produce 1 000 bags of Bocashi, as long as a bag of fertilizer costs approximately \$1.30 dollars. This product shows excellent results as a fertilizer for their own crops, Mr. Galo Rivas, president of the association and Vice Mayor of the canton El Pan explained in the interview that the association plans to produce and market this product in the near future because of the outstanding results obtained with it.



Photo 11. Own photographs of Association “Pequeños Ganaderos 7 de Agosto”, along with producers and (Bocashi)

3.5.3.2 Export Audit Qualification Results

Table 31

Traffic Light Qualification of the Association “Pequeños Ganaderos 7 de Agosto”

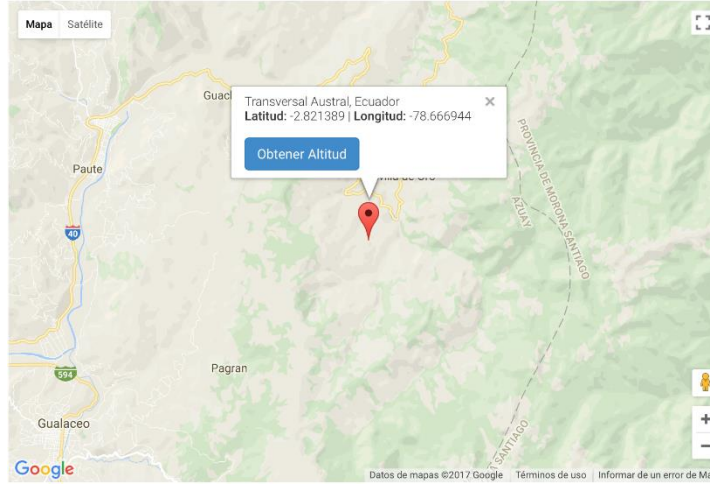
| | | | |
|------------------------------------|-----------|----------|-----------|
| Totals | 0 | 3 | 30 |
| Traffic Light Qualification | 33 | | |

Elaborated by García; Lopez

3.5.4 Profile Information of the Breeders Association “La Merced”

Table 32

Profile Information of the Breeders Association “La Merced” (ANNEX 10)

| | |
|---------------------------------|--|
| NAME | Breeders Association “La Merced” |
| PRODUCT | Meats (Pig, Beef, Chicken and Trout) |
| IRS | No |
| SANITARY REGISTRY | No |
| LOCATION | Canton: El Pan Township: San Vicente de El Pan |
| COORDINATES: | 2°49'17 "S 78°40'1 "O |
| CONTACT PERSON | Mr. Rigoberto Borja (Chairman) |
| TELEPHONE AND REFERENCES | 0980135187 |
| DATE OF INTERVIEW | October 31, 2017 |
| LOCALIZATION IMAGE |  |

Elaborated by García; Lopez

3.5.4.1 Administrative, Organizational and Associative Aspects

The Breeders association “La Merced” was created in 2011 with the own management of its 9 members, all the machinery and working elements were acquired by the same association. They have not received support from CELEC. They have only received advice and certain training from the Ministry of Agriculture and Livestock (MAG) throughout the 6 years of operation. Its administrative structure is formed by the President (Mr. Rigoberto Borja), Vice President (Mrs. Miriam López), Secretary, Treasurer and producers; in which 8 of the 9 members are women. Members meet weekly to slaughter meat, which is usually on Friday mornings, and issues related to the association are also discussed. Currently they do not have any kind of help from government or private entities, with everything done by initiative of its members.



Photo 12. Own photographs of The Breeders Association “La Merced”, together with producer, machinery and livestock.

3.5.4.2 Product and Productive Aspects

The association is dedicated exclusively to slaughter beef, pork, chicken and rarely trout. Animals are raised in corrals and large plots of their own, and many buckets of running water to keep the animals in good condition with the use of free spaces. Weekly checks are performed too with a fixed veterinarian, balanced food and daily vitamins, especially the maintenance and improvement of a variety of pastures for the excellent diet of livestock are of vital importance for good meat production. Mr. Rigoberto Borja explains that an animal under stress is susceptible to countless diseases and mostly to excessive weight loss, resulting in very low health and quality

meat for human consumption, in addition TO causing great harm to a living being. The majority of the people in charge of meat slaughtering are women, who carry out the work of selecting the animals to be processed and distributed to the different traders. The amount of product processed each week by the Breeders association “La Merced” is approximately 2 cattle head per week, including two pigs and between 4 to 8 chickens. This meat is distributed to the markets of El Pan, Sevilla de Oro and Paute.

3.5.4.3 Financial and Accounting Aspects

The association does not have IRS record and no sanitary registry, or any type of certification. The initial investment to create the association was \$6 000 dollars thanks to its partners for machinery and to adapt the slaughterhouse. They have not received any loans from any financial entity.

3.5.4.4 Sales, Promotion and Logistics Aspect

All the meat that is slaughtered in the Breeders association “La Merced” is distributed in the municipal markets of Sevilla de Oro, El Pan and Paute. The estimated prices vary depending on the market, hovering around \$2.75 dollars a pound of beef, \$3.00 dollars a pound of pork, \$1.50 dollars a pound of chicken and \$2.50 dollars a pound of trout. They have their own transportation with which the product is distributed to the selected sale points.

3.5.4.5 Export Audit Qualification Results

Table 33

Traffic Light Qualification of the Breeders Association “La Merced”

| | | | |
|------------------------------------|-----------|-----------|-----------|
| Totals | 0 | 15 | 15 |
| Traffic Light Qualification | 30 | | |

Elaborated by García; Lopez

Conclusion

After analyzing all the characteristics of the associations and producers during the carried-out fieldwork, whether or not they fulfill the requirements to be potential exporters. All the collected information was obtained thanks to the reformulated Export Audit "test", so it could be personally adapted to the associations and collection centers of the area. With the gathered information, we proceeded to categorize it by means of a 5-point scale divided into three levels (Does not Achieve = 0, Partially Achieves = 3 and Achieves = 5) and by the traffic light qualification, as explained above, to verify if each association interviewed could be considered as a possible potential exportable offer.

In the end, only one association (Artisan association of “16 de Septiembre”) dedicated to the production of “Castilla Blackberry” and its derivatives met most of the requirements and the qualification required to be considered as potential for exportable offer, while the other associations did not reach the basic requirements to be considered possible exporters. After all the extensive fieldwork, all the necessary information was obtained from producers and associations; therefore, the traffic light qualification was rated on a scale from 0 to 5, known as a 5-point scale divided into three levels, in which the optimum characteristics for future exporters were evaluated. associations, collection centers and producers need to have a certain number of conditions met in order to be considered a potential exportable offer; only some of them achieved the necessary requirements to be able to export their products nationally and internationally, while the others did not.

The Artisan association of “16 de Septiembre” from El Pan obtained the highest score from all the thesis research (85/105). It produces 1 500 pounds of “Castilla Blackberry” per week. And has distributed its plantation among different parcels, all of which belong to the members of the association, with a total of 7 000 plants. The “Castilla Blackberry” is an excellent plant for cultivation because it does not need a greenhouse to grow, requires little care compared to other types of plants in the area, does not need an irrigation system, and its production life span ranges from 10 to 15 years. The association dedicated to cultivating “Castilla Blackberry” gives added

value to its product, as it transforms it into fruit pulp, ice cream and jam, which is why they were categorized as the most suitable for export.

The Strawberry Producer Family association, located in the canton of Sevilla de Oro, and whose representative is Acct. Lizbeth Villavicencio, is the second highest rating of the thesis research, with a total of 74/105. The strawberry plant needs a lot of care, because a greenhouse is indispensable for its cultivation, and it needs an irrigation system to keep going constant production. The strawberry has very good characteristics, such as size and sweet flavor. It would be smart in the future to expand the business and give added value to the product—for example, strawberry can be turned into wine, jam, mousse, cakes, and so on. The association's reinvestment capacity is very good, as it is a family organization and its commitment to the project is very well focused.

The association “José de Chalacay” in Sevilla de Oro is the producer of Organic Liquid Fertilizer, better known as "BIOL" by the people of the area. It is an organization with a product with high potential, but very small production in terms of export requirements. With a 54/105 rating, they produce BIOL based on seaweed from the Paute River reservoir (mostly known as lechugines), without any raw material cost. Its production only supplies the sector within the canton, which is why it is not considered export potential. However, it would be necessary for CELEC, as a company, to carry out a study on the chemical analysis of the lechuguin found in the reservoir and thus evaluate its level of toxicity.

The other research associations maintain very small levels of production, and they do not satisfy the minimum requirements to be considered as potential exportable offer; however, there are associations that have very good products but cannot invest in any projects due to lack of resources and empowerment.

CHAPTER 4

DIAGNOSIS OF THE EXPORTABLE OFFER AND PRODUCTIVE POTENTIAL OF SMES IN THE CANTONS OF SEVILLA DE ORO AND EL PAN

Introduction

In this fourth and final chapter the SWOT and crossed SWOT methods will be used, for the exportable offer diagnosis of the cantons of Sevilla de Oro and El Pan. The SWOT method will be implemented as a tool to analyze the strengths, opportunities, weaknesses and threats of each association and producer in the cantons. The following analysis is necessary in order to determine the actual situation and internal function of each association and collection center. Subsequently, the crossed SWOT method will be studied in order to relate the external and internal factors of each association and therefore be able to develop defensive strategies for the productive sectors of the zones. In addition, the SWOT and cross SWOT methods will be briefly explained in order to have a clear understanding of how each association, collection center and producer were studied.

4.1 SWOT and Crossed SWOT Methodology

The SWOT method was elaborated at Stanford research institute from 1960 to 1970 in Stanford University by Albert S. Humphrey, who was the creator of an elaborate and useful analysis. The system was created with the intent of clarifying why corporate planning fails in any institution, company or business. Along with Humphrey, the team of researchers were Marion Doshier, Dr. Otis Benepe, Robert Stewart and Birger Lie who, together, created a useful tool to understand and make decisions in different situations for different companies. It consists of a framework of four spaces in which the strengths, opportunities, weaknesses and threats are used to evaluate a company's competitive position to develop strategic planning. Albert S. Humphrey gives a more in-depth explanation with the following:

"This method captures the collective approvals and commitments of those who ultimately have to do the work of achieving or exceeding the stated objectives. It allows the team leader to define and develop coordinated, goal-oriented actions that underpin objectives generally approved between different levels of the company's hierarchy. (Humphrey, 2018)

When each one of the SWOT frameworks activities is organized in a priority level, a system is obtained which presents a practical way to assimilate internal and external information about the business unit, outlining the short and long term priorities. This allows an easy way to create a work team that achieves the proposed objectives. Crossed SWOT is a tool that relates internal and external factors in order to develop defensive, offensive, survival and adaptive strategies which achieve competitive advantages to benefit from strengths and opportunities as well as how to transform weaknesses and threats into favorable aspects for the organization. (Chapman, 2018)

4.2 SWOT Associations Information of the Cantons of Sevilla de Oro and El Pan

4.2.1 SWOT Associations Information of the Canton of Sevilla de Oro

Table 34

SWOT Profile Information of the Association "José de Chalacay"

| SWOT PROFILE INFORMATION | |
|--|---|
| Name: | Association "José de Chalacay" |
| Product: | Biol (Organic Liquid Fertilizer) |
| STRENGTHS <ol style="list-style-type: none"> 1. It is an organic product 2. Non-cyclical production 3. Easy-to-obtain Raw Material (Seaweed) 4. Plant for production survives any drastic climate change 5. It is not toxic 6. Does not pollute the environment 7. Does not require elaborate processing 8. Artisanal Elaboration | OPPORTUNITIES <ol style="list-style-type: none"> 1. Production has the ability to expand 2. Possible selling to new markets 3. Health Registration Certificate 4. Possible improvement in the packaging aspect |

| | |
|---|---|
| 9. It is not necessary to give an added value to the product (100% Organic Factor) 10. Are economically and structurally independent 11. Has low production costs 12. Does not require Major Investment 13. Fixed Price | |
| WEAKNESSES 1. Does not have IRS 2. Does not have sanitary registry 3. Does not have certifications 4. Not-so-large production capacity 5. Only Local Sales | THREATS 1. Pollution Mazar reservoir (Seaweeds) 2. New restrictions on access to the reservoir 3. The entry of different Organic and Non-Organic fertilizers to the market 4. Seaweed disappearance in the reservoir |

Elaborated by García; Lopez

Table 35

SWOT Profile Information of the Association “Asoprolac”

| SWOT PROFILE INFORMATION | |
|--|---|
| Name: | Association “Asoprolac” |
| Product: | Unprocessed milk |
| STRENGTHS 1. Creation of the Collection Center for self-investment 2. Is a collection center 3. Voluminous production 4. Own Transport 5. Direct sales to Wholesaler (Nutri Milk) 6. Currently economically and structurally independent 7. Investment to the collection center by members 8. Product has Added Value (Quesillo) 9. Monthly meetings are held between members of the association | OPPORTUNITIES 1. Possibility to expand existing control tests daily (5 min Acidity Test) 2. Authorized IRS 3. Sanitary Registry Certificate 4. Possesses contact for possible new Markets 5. Possibility of Investment (Transport, quality control equipment and Livestock) |

| WEAKNESSES | THREATS |
|---|---|
| <ol style="list-style-type: none"> 1. Unprocessed Milk is a product that is easily altered and damaged 2. Lack of quality control and product care by producers and members 3. Producers add water to Milk to increase capacity 4. No IRS 5. Does not have any Certification 6. No Sanitary Registry 7. A single litre of affected Milk affects 5000 litres of the product 8. Unstable Profits 9. Unstable Price 10. Generates excessive losses (When there are no proper controls) | <ol style="list-style-type: none"> 1. Lack of daily quality control can lead to bankruptcy at the collection center 2. Cattle disease due to climatic factors, pests, bacteria and natural causes 3. Loss of Producers 4. Loss of Wholesaler (Nutri Milk) 5. Climate easily alters product and livestock |

Elaborated by García; Lopez

Table 36

SWOT Profile Information of the Independent Organic Strawberry Association

| SWOT PROFILE INFORMATION | |
|--|---|
| Name: | No Name |
| Product: | Organic Strawberry |
| STRENGTHS <ol style="list-style-type: none"> 1. It is currently an economically and structurally independent association 2. Maintains the support of training and talks by the Municipal DAG of Sevilla de Oro 3. The product is majorly Organic 4. They have an automatized Venturi irrigation system 5. Adaptation of imported plants 6. Strawberry has a differentiation against competition from the North (flavor, color and size) | OPPORTUNITIES <ol style="list-style-type: none"> 1. There is no major competition 2. Sales expansion capacity to new Markets 3. Investment Capacity 4. Sanitary Registry Certification 5. Various added value options (Wine, Cakes, Jams, Mousse) |

| | |
|---|---|
| 7. The product is voluminous 8. It can be cultivated at any time of the year 9. Has Added Value 10. Excellent management of capital (They count with an accountant on the same association) 11. Fixed Price 12. Own transport for deliveries | |
| WEAKNESSES 1. No name registration 2. The product is cyclical which means it has several stages until it can be harvested 3. No IRS 4. Does not have any Certification 5. No Sanitary Registry 6. Strawberry easily spoils | THREATS 1. Diseases such as bacteria and pests constantly affect the plant 2. Adverse climate for plantations (heat waves) 3. Possible Droughts 4. Problems with import requirements for Californian and Chilean strawberry plants for cultivation |

Elaborated by García; Lopez

Tabla 37

SWOT Profile Information of the Association “Producers of Osoyacu”

| SWOT PROFILE INFORMATION | |
|--|---|
| Name: | Association “Producers of Osoyacu” |
| Product: | Ornamental and Forestal Plants |
| STRENGTHS 1. Easy handling of the product 2. Low Investment 3. Product Variety 4. Natural and Organic products 5. Weekly meetings between members 6. It is currently an economically and structurally independent association. 7. Some of the plants do not need a greenhouse to grow 8. Raw material has low costs | OPPORTUNITIES 1. Capacity for higher production 2. Expansion of plant variety 3. Variety of potential markets 4. Possibility of introducing a handmade automated system for the filling of soil in pots 5. Ability to give ornamental plants additional added value |

| | |
|--|--|
| 9. Raw material (seeds) is also obtained from the production of the same plants 10. Plants do not delay in sprouting 11. Members produce fertilizer and soil management for plants 12. The sector of Seville de Oro has enough natural water streams to irrigate the product 13. Own water reserve tank for emergencies 14. Two fixed buyers per year, by public institutions | |
| WEAKNESSES 1. Maintenance of the association and productive processes is \$2 000 per year 2. No IRS 3. No Sanitary Registry 4. Does not have any Certification 5. Has few sales per year 6. Sporadic sales 7. The product does not exceed local sale | THREATS 1. Harmful climatological factor 2. The two fixed buyers decide to change suppliers 3. Children or malicious people tearing down greenhouses 4. Pests and field animals that feed on these plants |

Elaborated by García; Lopez

Table 38

SWOT Profile Information of the Artisan Association of "La Union"

| SWOT PROFILE INFORMATION | |
|--|--|
| Name: | Artisan Association of "La Union" |
| Product: | "Tomate Riñón" |
| STRENGTHS 1. The association was created through own investment 2. Members meet weekly to coordinate activities | OPPORTUNITIES 1. Possibility of adding value to the product (tomato paste) 2. Increase production variety 3. Opening up to new markets |

| | |
|---|--|
| 3. Voluminous Product (3 280 pounds per week) 4. Raw material low cost 5. Direct sales to the Municipal market of Paute to avoid intermediaries | |
| WEAKNESSES 1. “Tomate Riñón” requires a lot of care 2. Fragile and highly perishable product 3. Plant has a useful life of 6 months and produces for only 2 months. 4. Very Unstable Price 5. High care needed with handling of soil and fertilizers 6. High production cost (Greenhouse and Irrigation System) 7. No IRS 8. No Sanitary Registry 9. Does not have any Certification 10. Transport is rented | THREATS 1. High competition 2. Excessive pests and bacteria affect the product 3. High-risk climatological factor (frost, heat waves and humidity) 4. Paute Municipal market decides to look for other suppliers 5. Members decide to disassociate themselves due to lack of resources, low sales and product damage |

Elaborated by García; Lopez

Table 39

SWOT Profile Information of the Collection Center “Jesús del Gran Poder”

| SWOT PROFILE INFORMATION | |
|--|---|
| Name: | Collection Center “Jesús del Gran Poder” |
| Product: | Unprocessed Milk |
| STRENGTHS 1. Very good quality milk 2. Well-organized association 3. Secured buyer (TONI S.A.) 4. There are no intermediaries 5. High degree of control when collecting milk 6. They carry out daily tests to verify proper state of the milk | OPPORTUNITIES 1. Acquire another buyer which gives more profitability or benefits 2. Add value to the product (cheese, quesillo, yogurt, etc.) 3. Possibility of processing the sanitary registration |

| | |
|---|---|
| 7. Stable product price | |
| 8. \$0.52 per liter of milk (very good price) | |
| WEAKNESSES | THREATS |
| 1. No IRS | 1. . Product highly exposed to environmental damage or factors such as climate and livestock diseases |
| 2. No Sanitary Registry | 2. Competence of other collection centers in the sector |
| 3. Does not have any type of Certification | 3. Producers decide to sell their milk to other buyers due to the stringent requirements of the association |
| 4. Very high production risk. | |
| 5. The association location is too far away | |

Elaborated by García; Lopez

4.2.2 SWOT Associations Information of the Canton of El Pan

Table 40

SWOT Profile Information of the Artisan Association of “16 de Septiembre”

| SWOT PROFILE INFORMATION | |
|---|--|
| Name: | Artisan Association of “16 de Septiembre” |
| Product: | “Castilla Blackberry” and derivatives (Pulp) |
| STRENGTHS <ol style="list-style-type: none"> 1. Currently independent association 2. Very good organization of its members 3. Association with 7 000 plants, with a productive life of 10 to 15 years 4. Organic production (BIOL) 5. Better taste (sweeter) than the competition with Northern Blackberry 6. 1 500 pounds per week 7. No irrigation system required 8. No greenhouse needed 9. The association produces blackberry pulp 10. Stable price of blackberry pulp 11. Most members are part of the Municipal DAG | OPPORTUNITIES <ol style="list-style-type: none"> 1. Ability to give other added values to the blackberry (jam, ice cream, juices, etc.) 2. Higher production capacity 3. Elaboration of an attractive name and design for the consumer 4. Ability to invest in advertising 5. Sanitary Registry Certification 6. Possible entry into new markets (national and international) |
| WEAKNESSES <ol style="list-style-type: none"> 1. Unstable price of the product (Blackberry in fruit) 2. Sanitary Registration in process 3. Does not have any type of certification 4. Perishable product | THREATS <ol style="list-style-type: none"> 1. Carnavalero Beetle (feeds on fruit) 2. Adverse weather (droughts, frosts and heat waves) 3. “Botrytis” fungus damages the plant 4. Winter season, production drops |

Elaborated by García; Lopez

Table 41

SWOT Profile Information of the Association “Pequeños Ganaderos Señor de los Milagros”

| SWOT PROFILE INFORMATION | |
|---|--|
| Name: | Association “Señor de los Milagros” |
| Product: | Unprocessed Milk |
| STRENGTHS <ol style="list-style-type: none"> 1. Very good breed cattle 2. Quality milk production 3. Excellent pasture improvement 4. Specialization and experience in livestock maintenance 5. Certification of "Excellent Quality Unprocessed Milk" 6. Organic product 7. Apotheoses fever disease certificate 8. Many years of experience in the field of animal breeding | OPPORTUNITIES <ol style="list-style-type: none"> 1. Sanitary Registry Certification 2. Possible entry into new markets (eastern buyers) 3. Offers advice on pasture maintenance 4. Offers advice on livestock maintenance |
| WEAKNESSES <ol style="list-style-type: none"> 1. Poor organization of members 2. High risk of losing daily milk production due to not having a collection center. 3. Does not have Sanitary Registry 4. No IRS 5. Producers lack quality control on milk 6. Unstable milk price | THREATS <ol style="list-style-type: none"> 1. Adverse weather that makes livestock sick (frosts, heat waves, droughts) 2. Livestock Stealing 3. Pests affecting livestock 4. High competition (livestock sector) |

Elaborated by García; Lopez

Table 42

SWOT Profile Information of the Association “Pequeños Ganaderos 7 de Agosto”

| SWOT PROFILE INFORMATION | |
|---|--|
| Name: | Association “Pequeños Ganaderos 7 de Agosto” |
| Product: | Unprocessed Milk and Bocashi fertilizer |
| STRENGTHS <ol style="list-style-type: none"> 1. Quality milk 2. Association has a large number of members 3. Fertilizer production (Bocashi) 4. Excellent result of Bocashi fertilizer production 5. Vegetable, plants and fruit production 6. Low production cost 7. Own investment to create the association 8. Most members are part of the Municipal DAG | OPPORTUNITIES <ol style="list-style-type: none"> 1. Possible entry into new markets 2. Marketing of Bocashi fertilizer 3. Commerce of vegetables, plants and fruits by the members of the association 4. Development of a brand that distinguishes the products of the association 5. Exceeding the local market |
| WEAKNESSES <ol style="list-style-type: none"> 1. No IRS 2. Little initiative from members to market their products 3. Not certified in any way 4. Sale to intermediaries (milk) 5. Does not have Sanitary Registry 6. Production is for own consumption only | THREATS <ol style="list-style-type: none"> 1. Diseases to livestock (raw milk) 2. Adverse climatic factors 3. Competition with other types of fertilizers (BIOL) 4. Lack of entry of capital into the association (dissolution of the association) |

Elaborated by García; Lopez

Tablae 43

SWOT Profile Information of the Breeders Association “La Merced”

| SWOT PROFILE INFORMATION | |
|--|---|
| Name: | Breeders Association “La Merced” |
| Product: | Meats (Pig, Beef, Chicken and Trout) |
| STRENGTHS <ol style="list-style-type: none"> 1. Own machinery and work items 2. Own management and administration of the association 3. Good animal maintenance 4. Own transport 5. Sale of the product without intermediaries 6. Stable product price | OPPORTUNITIES <ol style="list-style-type: none"> 1. Acquisition of more animals 2. Implement another slaughter day per week 3. Use feed for livestock and improved pastures for the animals 4. Making inroads into eastern markets 5. Possible reinvestment for slaughter equipment |
| WEAKNESSES <ol style="list-style-type: none"> 1. Small and inadequate slaughter location 2. No RUC 3. Small number of animals 7. Does not have Sanitary Registry 4. Does not have any certification 5. Does not have the support of any institution 6. There is no collection center for the correct transport of slaughtered meat | THREATS <ol style="list-style-type: none"> 1. Animal diseases 2. Lack of water for animal intake 3. Climate (frost and heat waves) 4. Droughts 5. Strong competitors, with better technology for slaughtering meat |

Elaborated by García; Lopez

4.3 Crossed SWOT Associations Information of the Cantons of Sevilla de Oro and El Pan

4.3.1 Crossed SWOT Associations Information of the Canton of Sevilla de Oro

Table 44

Crossed SWOT Profile Information of the Association “José de Chalacay”

| CROSSED SWOT PROFILE INFORMATION | |
|--|----------------------------------|
| Name: | Association “José de Chalacay” |
| Product: | Biol (Organic Liquid Fertilizer) |
| STRENGTHS AND OPPORTUNITIES | |
| <ol style="list-style-type: none"> 1. The product is 100% organic which means that it does not need added value because it is an elaborated product, so in the future they can improve the appearance of the package with this concept. 2. As the raw material is easy to obtain (river seaweed) it has very high potential for productive growth, due to low processing costs. 3. Because the production is environmentally friendly, it has the possibility to enter new markets. | |
| WEAKNESSES AND THREATS | |
| <ol style="list-style-type: none"> 1. Since the association does not have any sanitary registry nor certifications, entry into the market of other types of fertilizers with registration and IRS record can be a threat to the development of this association. 2. The possible contamination in the Mazar reservoir can reduce the production capacity of the association “José de Chalacay” in large quantities. | |

Elaborated by García; Lopez

Table 45

Crossed SWOT Profile Information of the Association “Asoprolac”

| CROSSED SWOT PROFILE INFORMATION | |
|--|-------------------------|
| Name: | Association “Asoprolac” |
| Product: | Unprocessed Milk |
| STRENGTHS AND OPPORTUNITIES | |
| <ol style="list-style-type: none"> 1. Since the collection center has a large capacity for collecting untreated milk, if more rigorous control tests are generated in the future, they will be able to contact new and better markets. 2. Due to the fact that the members of the association meet monthly, there is a stable organizational structure, which makes it easier for them to obtain IRS record and Sanitary Registry. | |
| WEAKNESSES AND THREATS | |
| <ol style="list-style-type: none"> 1. Since unprocessed milk is easily damaged and altered, adding to this the lack of quality control and care of the product by producers, the association can go bankrupt because of the loss of generated capital 2. Production capacity decreases due to the high risk of external factors such as climate and livestock diseases. | |

Elaborated by García; Lopez

Table 46

Crossed SWOT Profile Information of the Independent Organic Strawberry Association

| CROSSED SWOT PROFILE INFORMATION | |
|---|--------------------|
| Name: | No Name |
| Product: | Organic Strawberry |
| STRENGTHS AND OPPORTUNITIES | |
| <p>1. As the product is considered organic and differs from the northern strawberry competition by its flavor, size and color, it has a greater chance of entering new markets and in turn being a strong competitor.</p> <p>2. Since the association has the support and training of MAG, its chances of incorporating new forms of added value to its product are even better (wine, jams, mousse, etc.).</p> <p>3. It has an excellent capital management (accountant member of the association), so the ability to reinvest and expand the project is possible.</p> | |
| WEAKNESSES AND THREATS | |
| <p>1. The strawberry is a very perishable product due to factors such as diseases, pests and climate which are unfavorable to the plantation.</p> <p>2. Due to restrictions and, above all, costs in terms of importing plants and seeds, it is difficult for the association to bring more variety of plants for processing new products into its project.</p> | |

Elaborated by García; Lopez

Table 48

SWOT Profile Information of the Association “Producers of Osoyacu”

| CROSSED SWOT PROFILE INFORMATION | |
|---|------------------------------------|
| Name: | Association “Producers of Osoyacu” |
| Product: | Ornamental and Forestal Plants |
| STRENGTHS AND OPPORTUNITIES | |
| <ol style="list-style-type: none"> 1. Since the association has a slight production cost, there is a possibility of introducing an automatized artisanal system for filling soil into pots. 2. Thanks to its wide variety of plants that the market offers, it is possible to implement added value to its products (horchata, mix of medicinal plants, tea infusions, etc.). 3. Ornamental plants do not take long to sprout, in addition to the fact that in the sector of Seville de Oro there are quite a few natural water streams for the irrigation of the product, making it possible to expand production capacity. | |
| WEAKNESSES AND THREATS | |
| <ol style="list-style-type: none"> 1. Few sales a year are made. If their only two buyers decide to change supplier the sporadic sales, they make will not be able to sustain the association. 2. The maintenance of the association and the productive processes is \$2 000 dollars per year. If ill-intended people continue to tear up the greenhouses it will be difficult to keep production going | |

Elaborated by García; Lopez

Table 48

Crossed SWOT Profile Information of the Artisan Association of "La Union"

| CROSSED SWOT PROFILE INFORMATION | |
|--|-----------------------------------|
| Name: | Artisan Association of "La Union" |
| Product: | "Tomate Riñón" |
| STRENGTHS AND OPPORTUNITIES | |
| <ol style="list-style-type: none"> 1. As tomato production is wide and its raw material has a increase production capacity and increase variety of the product. 2. Members meet weekly to coordinate activities together with the MAG. It could be possible to implement added value to the product (tomato paste). | |
| WEAKNESSES AND THREATS | |
| <ol style="list-style-type: none"> 1. Tomato requires a lot of care, the product is very perishable due to factors such as weather and pests (black spot, chocolate spot and cenicilla). 2. The plant is cyclic, has a useful life of 6 months and produces only for two months, in addition to the fact that the cost of production is high (greenhouse, irrigation system) which could make members decide to disassociate themselves in the future because of the lack of resources and low sales | |

Elaborated by García; Lopez

Table 49

Crossed SWOT Profile Information of the Collection Center “Jesús del Gran Poder”

| CROSSED SWOT PROFILE INFORMATION | |
|--|--|
| Name: | Collection Center “Jesús del Gran Poder” |
| Product: | Unprocessed Milk |
| STRENGTHS AND OPPORTUNITIES | |
| <ol style="list-style-type: none"> 1. As the milk has very good quality in addition to having a high degree of control (antibiotic tests, water and acidity) the possibility of applying for the sanitary registry and quality certifications is possible, as well as the possibility of increasing production 2. Since they charge \$0.52 per liter (one of the best prices paid), reinvestment capacity is possible. | |
| WEAKNESSES AND THREATS | |
| <ol style="list-style-type: none"> 1. As production risk is high, collection centers are likely to dissolve and disappear, granting a victory to their competition. 2. Since the location of the association is distant, at the moment of collecting milk there is a greater risk that the milk will be damaged in the collection process towards the collection center. | |

Elaborated by García; Lopez

4.3.2 Crossed SWOT Associations Information of the Canton of El Pan

Table 50

Crossed SWOT Profile Information of the Artisan Association of “16 de Septiembre”

| CROSSED SWOT PROFILE INFORMATION | |
|---|--|
| Name: | Artisan Association of “16 de Septiembre” |
| Product: | “Castilla Blackberry” and derivatives (Pulp) |
| STRENGTHS AND OPPORTUNITIES | |
| <p>1. Production of the association is high (7 000 plants). Besides, it has a production life of 10 to years, which means the capacity to expand its sales is high.</p> <p>2. Since the plant does not need an irrigation system, greenhouse, or much care, it is possible to use the profits to implement added value to the blackberry, invest in advertising and enter new markets.</p> | |
| WEAKNESSES AND THREATS | |
| <p>1. The “Castilla Blackberry” fruit is perishable, because factors such as climate (heavy rains) make the product rot easily. Additionally, the appearance of the fungus Botrytis which damages the fruit.</p> <p>2. Since the fruit does not need a greenhouse, which is counterproductive due to the lack of protection against the Carnavalero Beetle, that is one of the greatest threats to the fruit.</p> | |

Elaborated by García; Lopez

Table 51

Crossed SWOT Profile Information of the Association “Pequeños Ganaderos Señor de los Milagro”

| CROSSED SWOT PROFILE INFORMATION | |
|--|-------------------------------------|
| Name: | Association “Señor de los Milagros” |
| Product: | Unprocessed Milk |
| STRENGTHS AND OPPORTUNITIES | |
| <ol style="list-style-type: none"> 1. Thanks to the high care and experience of the President of the association, it counts with certifications of quality, which facilitates entry into new markets. 2. As the association has high experience in the improvement of pastures and maintenance of livestock, it can provide advice to other producers. | |
| WEAKNESSES AND THREATS | |
| <ol style="list-style-type: none"> 1. Due to a lack of organization by its members, the absence of a milk collection center and scarce quality control of the milk (producers) the association can dissolve. 2. The price of milk is unstable because there are many competitors, since the area is purely livestock activity. | |

Elaborated by García; Lopez

Table 52

Crossed SWOT Profile Information of the Association “Pequeños Ganaderos 7 de Agosto”

| CROSSED SWOT PROFILE INFORMATION | |
|--|--|
| Name: | Association “Pequeños Ganaderos 7 de Agosto” |
| Product: | Unprocessed Milk and Bocashi fertilizer |
| STRENGTHS AND OPPORTUNITIES | |
| <ol style="list-style-type: none"> 1. Number of members is high, as is production of the Bocashi fertilizer. The association also has low production costs, making it possible to market the product. 2. Since most of its members are part of the Municipal DAG, in addition to the development of a distinctive brand for the product, it makes it possible to surpass the local market. | |
| WEAKNESSES AND THREATS | |
| <ol style="list-style-type: none"> 1. As there is no commercialization of the Bocashi product, if they decide to enter the market, competitors with substitute fertilizers (BIOL) will be strongly established locally. 2. Because producers only harvest for their own consumption, meaning there is no income, this can lead to the separation of members of the association. | |

Elaborated by García; Lopez

Table 53

Crossed SWOT Profile Information of the Breeders Association “La Merced”

| CROSSED SWOT PROFILE INFORMATION | |
|--|--------------------------------------|
| Name: | Breeders Association “La Merced” |
| Product: | Meats (Pig, Beef, Chicken and Trout) |
| STRENGTHS AND OPPORTUNITIES | |
| <ol style="list-style-type: none"> 1. Because they have their own equipment and management of the association is independent, they can implement new techniques and technology for slaughtering meat (reinvestment). 2. As animal maintenance is good and transport of the association is own, it is possible to expand sales to new markets. | |
| WEAKNESSES AND THREATS | |
| <ol style="list-style-type: none"> 1. Since there is no collection center and the slaughter room is small, the conditions of the product are prone to damage. 2. With no support, advice from any institution, certification or sanitary registry, it is very difficult for them to enter markets with strong competitors and higher technology. | |

Elaborated by García; Lopez

4.4 CAME Associations Information of the Cantons of Sevilla de Oro and El Pan

4.4.1 CAME Associations Information of the Canton of Sevilla de Oro

Table 54

CAME Profile Information of the Association “José de Chalacay”

| CAME PROFILE INFORMATION | |
|---|----------------------------------|
| Name: | Association “José de Chalacay” |
| Product: | Biol (Organic Liquid Fertilizer) |
| STRATEGIES | |
| <ul style="list-style-type: none"> - If there is risk of the Mazar reservoir becoming much more polluted or that CELEC implements restrictions on the reservoir's resources, consultation should be implemented for river algae reserve tanks, ensuring availability of the raw material for the product being produced and speeding up production processes. - The association “José de Chalacay” must concentrate on improving the appearance of the BIOL bottle in order to be more competitive in the market, by focusing on its characteristic of being a 100% organic product. - The organization should have a better established organizational structure, since the roles of president, vice-president and producers are not taken seriously. - An accounting system should be implemented to improve the control of income and expenses managed by the association. | |

Elaborated by García; Lopez

Table 55

CAME Profile Information of the Independent Organic Strawberry Association

| CAME PROFILE INFORMATION | |
|--|--------------------|
| Name: | No Name |
| Product: | Organic Strawberry |
| STRATEGIES | |
| <ul style="list-style-type: none"> - The association should focus its efforts and reinvestment in developing a new greenhouse since it is a very good quality product. Consequently, producing more strawberries would allow use of the fruit with a greater added value, such as wine, cakes, jams, dried fruits, pulp, etc - The strawberry they produce is fruit of very good quality, differentiated in the market by its size, flavor and color. As such, they should create a brand and thus differentiate themselves even more from the competition, as it does not have a name and so marketing and sales plans cannot be developed. - For this organization it is recommended to seek different certifications that confer additional value to the product, such as 100% organic product certifications, or good agricultural manufacturing and practices. - Due to the level of production of the association, it would be necessary to obtain approval by the Internal Revenue Service (IRS) in order to be able to export in the future. | |

Elaborated by García; Lopez

Table 56

CAME Profile Information of the Association “Producers of Osoyacu”

| CAME PROFILE INFORMATION | |
|---|------------------------------------|
| Name: | Association “Producers of Osoyacu” |
| Product: | Ornamental and Forestal Plants |
| STRATEGIES | |
| <ul style="list-style-type: none"> - The Organization could focus on adding value to its products (horchata, mix of medicinal plants, tea infusions, etc.) in order to expand its sales and not have to worry about losing the two fixed buyers it has. - It is necessary to optimize planting processes, so it would be very helpful for the association to implement an automatized handmade system for filling soil in pots. - The association “Osoyacu” should have a long-term sales projection plan which does not depend on its two fixed buyers. - An accounting system should be implemented to improve control of income and expenses managed by the association. | |

Elaborated by García; Lopez

Table 57

CAME Profile Information of the Artisan Association of "La Union"

| CAME PROFILE INFORMATION | |
|---|-----------------------------------|
| Name: | Artisan Association of "La Union" |
| Product: | "Tomate Riñón" |
| STRATEGIES | |
| <ul style="list-style-type: none"> - Since "Tomate Riñón" is a very difficult product to cultivate due to several adverse factors, in addition to being a perishable vegetable that is susceptible to attack by various pests (black spot, chocolate spot and cenicilla), the variety or change of product for a less perishable one that requires less care (babaco, tree tomato, blackberry, etc.) should be considered. And, in case the association stays with production of "Tomate Riñón", it should implement added value such as tomato paste or dried tomatoes. - An accounting system should be implemented to improve control of income and expenses administered by the association. - It would be advisable to work It would be advisable issues, with basis on a better structure, for faster and more efficient decision-making among partners. | |

Elaborated by García; Lopez

4.4.2 CAME Associations Information of the Canton of El Pan

Table 58

CAME Profile Information of the Artisan Association of “16 de Septiembre”

| CAME PROFILE INFORMATION | |
|---|--|
| Name: | Artisan Association of “16 de Septiembre” |
| Product: | “Castilla Blackberry” and derivatives (Pulp) |
| STRATEGIES | |
| <ul style="list-style-type: none">- If the product is susceptible to damage during the winter season by high rainfall, causing it to ripen rapidly and for the fungus known as Botrytis to spread around the plantation, producer members should develop an action plan to collect the product and turn it into pulp before it rots. Overproduction should also be considered to give another type of added value such as marmalade, wine, ice cream, juices, etc.- For the association “16 de Septiembre” it is recommended to seek different certifications that give more value to the product, such as 100% organic product certifications, or good agricultural and manufacturing practices.- Seek advice for exporting, as they have a considerable level of production and capital for it. | |

Elaborated by García; Lopez

Table 59

CAME Profile Information of the Breeders Association “La Merced”

| CAME PROFILE INFORMATION | |
|---|--------------------------------------|
| Name: | Breeders Association “La Merced” |
| Product: | Meats (Pig, Beef, Chicken and Trout) |
| STRATEGIES | |
| <ul style="list-style-type: none"> - If the association does not have support from any public institution, it should consider acquiring a loan from a private entity, since they have the ability to pay and reinvest. - Implement a larger area for meat slaughter which is technologically adequate in order to increase production and thus reach better markets. - It would be necessary to apply for the sanitary registry and an Internal Revenue Service (IRS) or Ecuadorian simplified tax regime (RISE) approval. | |

Elaborated by García; Lopez

4.4.3 CAME Information in Associations of Unprocessed Milk of the Cantons of Sevilla de Oro and El Pan

Table 60

CAME Profile Information of "Unprocessed Milk Producers and Collectors Associations"

| CAME PROFILE INFORMATION | |
|---|--|
| Name: "Unprocessed Milk Producers and Collectors Associations of the Cantons of Sevilla de Oro and El Pan" | <ul style="list-style-type: none"> - Association "Asoprolac" - Collection Center "Jesús del Gran Poder" - Association "Señor de los Milagros" - Association "Pequeños Ganaderos 7 de Agosto" |
| Product: | Unprocessed Milk |
| STRATEGIES | |
| <ul style="list-style-type: none"> - Unprocessed milk is a product that is easily spoils, because it is a liquid that has not undergone any alteration. All four associations have a drawback in terms of quality control of untreated milk, which is normally what happens with all the collection centers or raw milk associations of the Cantons of Sevilla de Oro and El Pan. - The problem comes from members of the association and its producers: the members, for not carrying out checks and quality control at the time of collecting each delivery of milk, and from the producers for altering the milk, through the excessive and inappropriate use of certain antibiotics, in addition to the practice of mixing in water to increase the amount of liters that are sold. - To avoid these problems, milk control tests should be made (water, antibiotics and acidity) at the time of collecting milk and not when all the milk arrives at the collection center. There are effective and fast ways to do quality control tests for raw milk. During the field research, a test was established that does not need any expensive material or higher technological level and at the same time did not take more than 5 minutes for its verification. - As for the association "Pequeños Ganaderos 7 de Agosto", which not only produces Raw Milk but also elaborates organic fertilizer Bocashi for exclusive use by its members, which, incidentally, received excellent results in its plantations, should consider sale of this fertilizer thanks to its wide number of benefits as well as having low production costs. | |

Elaboración Propia por García; López

Conclusion

By analyzing the strengths, opportunities, weaknesses and threats of each association and collection center, the pros and cons are shown together, which later served to develop strategies that will specifically serve each association in the future, thus enhancing its strengths and taking advantage of the opportunities. At the same time, by having a global vision of the pros and cons, strategies can be developed to combat weaknesses and protect oneself from threats, guaranteeing preparation against undesirable situations in the future. One of the strategies most recommended to the associations and producers was to give added value to their products, which was based on not trading raw material, but instead on transforming these products.

One of the most outstanding cases is the Artisan association of “16 de Septiembre” in the canton of El Pan, which produces “Castilla Blackberry” and derivatives such as jams, pulps and ice cream. Another case that stands out from the rest is the production of strawberries of Mrs. Lisbeth Villavicencio, located in the canton of Sevilla de Oro, which, thanks to the good quality of the product, good organizational management and sustainment of investment capital, has a future possibility of adding value to the strawberries and not just sell them as raw material. All the associations have been analyzed by created means of skills based on their aptitudes, this way the association will be able to implement strategies to have a better development and grow; nevertheless, the importance that each one of the members of the associations gives to the project will reflect progress, along with their commitment to be competitive in the national market and, in the future, to an international market.

CONCLUSIONS

The cantons selected for this research were Sevilla de Oro and El Pan, and which expects to achieve greater development of international business throughout the province of Azuay, thus directly supporting the economic and social improvement of each community researched, as well as supporting their entrepreneurs. The study was carried out because there is no research which shows the true potential of products that export potential from these areas in the province of Azuay. The hypothesis with which the research began was: What is the exportable offer of the SMEs of the cantons of Sevilla de Oro and El Pan? The research was carried out jointly with the DAGs (Decentralized Autonomous Government) of the zones, directing the study from a theoretical definition of internationalization, to later carry out fieldwork in the cantons. The general objective of the project is: "To analyze and diagnose the exportable offer of the cantons".

A Formative-Descriptive research project was elaborated, based on primary and secondary study sources, in which a theoretical-practical field work was carried out by analyzing each selected SME, as well as interviews and surveys that were carried out and previously analyzed for the producers of each association and for the respective DAGs of each zone. At the beginning, the test model evaluated by Export-Audit MIPRO was used; however, in order to obtain better results and to make the surveys suitable for SMEs, a decision was reached to modify the test model to a simpler and more specific version that was easy for the interviewees to understand, as well as being better for the researchers. The changes mentioned above were made due to the fact that the MIPRO test is designed for exporters, and these SMEs do not yet have export potential.

At first, the primary assignment was to visit the DAG of the canton of Sevilla de Oro, where information was requested from all the producers in the area in order to carry out the research. In the municipal DAG with the help of the Director of Environment and Environmental Protection, Dr. Mauricio Padilla, who kindly provided the necessary information (DPTP of Sevilla de Oro, associations database, collection centers, producers with their respective contacts, telephone numbers and address) for the thesis research. Dr. Padilla not only handed over the lists of active and non-active associations needed for the SME classification, but was kind enough to provide his own guidance for mostly every interview of each area of the different townships of the canton as well, which, incidentally, were not easily accessible and would have been difficult to

locate without his help. From the entire list of associations and producers mentioned earlier, only 6 SMEs were selected due to the fact that the rest of the associations are no longer active, do not have productive purposes, or are considered micro-enterprises.

In the same way, the DAG of the canton of El Pan was contacted, from which information was requested regarding all the producers in the area in order to carry out the investigation. The Municipal DAG of the canton does not have a complete and updated database, so it was difficult to achieve each objective of this research. Mr. Fabián Alba, from the Municipal DAG of El Pan, gave a small list of the active associations of the sector, which made it necessary to go directly to the producers of each township in order to complete the information of the thesis research. The presidents of each association, along with their producers, provided everything required (addresses, telephone numbers, personalized guides inside and outside the sector, samples of the product, and, above all, their valuable time) to complete the field work. From the entire list of associations and producers mentioned above, only 4 SMEs were selected due to the fact that the rest of the associations are no longer active, do not have purposes, or are considered microenterprises. From the total list of associations and producers in the canton of El Pan, only 4 active associations were interviewed. The reasons for why some associations were not interviewed was due to the fact that they were dissolved and are shown as not active or are not considered producers.

The Export Audit test model was used at the beginning; however, in order to obtain better results and to make the surveys suitable for SMEs in the rural sector, it was decided that a simpler and more specific version, which would be easier for the interviewees to understand and better for the researchers to use would be convenient. The changes mentioned above were made due to the fact that the Export Audit test is designed for exporters and SMEs, but not for small producers in the rural sector, who do not yet have export potential.

The result of the Export Audit application is translated into its traffic light qualification, which is based on a scale that qualifies each association by points, distributed among three categories: the first is of 5 points and awarded when the organization fulfills in its entirety the required terms; the second is of 3 points and it qualifies as such when it partially fulfills the

proposed requests; the third one is 0 points which establishes that it does not fulfill at all any request. The traffic light is determined by three colors: green (complies), yellow (partially complies) and red (does not comply). The final grading range for the 21 questions created is 105, this being the highest range, from 85 to 35 an intermediate value and finally from 0 to 35 the lowest.

The best qualification obtained from the research of potential exporters of the cantons of Sevilla de Oro and El Pan was the Artisan association of “16 de Septiembre” which produces “Castilla Blackberry” and derivatives (Pulp) and which belongs to the Canton of El Pan, with a rating of 85/105 points, giving it a green rank, meaning that the association fulfills most of the requirements. One of the reasons for why their rating is considered as green rank is because the association has very high production (7 000 plants) with sales of 1 500 pounds per week, as well as because the plants have a useful life of 10 to 15 years and the ability to expand their sales is possible. Since the plant does not need an irrigation system, greenhouse, or much care, it is possible to use the reinvestment profits in the application of added value to the product, in advertising, and for entering new markets.

The following rating corresponds to the Organic Strawberry association located in the canton of Sevilla de Oro in the township of Palmas, reaching a rating of 74/105, thus placing it as yellow rank since their product is considered organic and differs from the competition of northern strawberry for its taste, size and color, making it have a better chance of entering new markets and making them a strong competitor. This association has the support and training of the MAG, its options to incorporate new forms of added value to its product are increasing (wine, jams, mousse, etc.) and it has an excellent business accounting management (the accountant is a member of the association), so the ability to reinvest and expand the project is possible.

An average rating, but with good connotes falls on the association “José de Chalacay” who produce Organic Liquid Fertilizer (BIOL), located in the canton of Seville de Oro in the township of Palmas with a rating of 54/105, placing it as a yellow rank. Their product is 100% organic which means it does not need any added value.

For the analysis of the associations that produce and collect unprocessed milk, these four associations (Asociation “Asoprolac”, Collection Center “Jesús del Gran Poder”, Asociation “Pequeños Ganaderos Señor de los Milagros” and Asociation “Pequeños Ganaderos 7 de Agosto”) were grouped together to generate a CAME strategy based on their strengths, opportunities, weaknesses and threats. Untreated milk is a product that easily spoils, because it is a liquid that has not been subjected to any alteration. All four associations have a drawback in terms of quality control of raw milk, which is what happens with all the Collection Centers or Unprocessed Milk Associations of the Cantons of Seville de Oro and El Pan. The problem originates from the members of the association and its producers: its members, for not performing a check and quality control at the time of collecting each delivery of milk; and from its producers for altering the milk and making excessive and inappropriate use of certain antibiotics, on top of adding water to increase the amount of liters sold.

It was confirmed that, in the canton of Sevilla de Oro, the technical management model of each representative of the Municipal DAG consists mostly of fieldwork, meaning that technicians work together with representatives of each association through training and advice, of interest to producers. The opposite occurs in the Canton of El Pan, since the technical management model is mostly office-based, the amount of staff in the DAG of El Pan is limited, making it difficult to carry out field work, necessary for development in conjunction with the community.

The associations in general do not show a higher level of development in terms of operational and productive innovation. Most producers do not give added value to their products, just marketing them as raw material. The lack of information, income, resources and the little risk they assume, prevents improvement of products. The association should take risks in order to become more competitive locally, and in the future in national and international markets.

RECOMMENDATIONS

An overall observation to make about the research performed is that family associations are more organized than individual associations, because the family group is small and as such there is better communication among its members, better distribution of profits, greater personal interest for the association to prosper, and better reinvestment management. This does not mean that non-family associations do not have good results, as was demonstrated in the previous cases with the Artisan association of “16 de Septiembre”. Regardless of whether or not associations are family groups, these should be strengthened from the board, choosing their members in an appropriate manner and focusing on the skills of the people who are part of it.

In many cases, paternalism is still rooted in the culture of the locals. Many producers always expect some kind of reward, before performing any activity because they feel that the state owes them something. For example, the case of the Environmental Compensation Fund of the Ecuadorian Electric Corporation (CELEC) shows that if associations do not receive an idea, resources, training, inputs, etc., its members do not undertake it on their own. It is recommended that projects should not depend on municipalities or state organizations, but that, from the beginning, each member of each association should look for ways to finance, advise, and organize themselves by their own efforts. The work carried out by each DAG in the community should be considered as aid rather than a requirement for the associations and producers in the area.

An evident problem in the cantons of Sevilla de Oro and El Pan is lack of commitment that the producers have with the different projects they undertake, the lack of work, organization, investment, etc. all of which lead to the dissolution of the associations. It is suggested that, from the moment of the creation of these associations, the commitment between members should be established, specific tasks should be assigned to each one, and they should create an administrative organization thinking of the benefit for the entire association rather than just one member of it; in addition, they should maintain a vision and mission for the future.

According to the Artisan association of “16 de Septiembre” of “Castilla Blackberry” producers, the CAME strategy determined that even though the product is prone to damage during the winter season because of the high rainfall, causing it to ripen quickly, as well as the fungus

known as Botrytis usually spreading around the plantation. Producer members should create an action plan to collect the product before it rots and turns it into pulp. Overproduction should be used in other types of added value such as jam, wine, ice cream, juice, etc. For the Artisan association of “16 de Septiembre” it is advisable to look for different certifications that give more value to the product, such as 100% organic product certifications, good agricultural and manufacturing practices, in addition to seeking export advice, as they have a considerable level of production and capital to do so.

For the independent Organic Strawberry association, the CAME strategy established that organic strawberry production should focus its efforts and reinvestment on creating a new greenhouse, since the product is of very good quality. Therefore, obtaining more of the product would allow the fruit to be used in higher added value products such as wine, cakes, jams, dried fruits, pulp, etc. They should also create a brand, and in this way, differentiate themselves even more from the competition, since they do not have a defined name, making marketing and sales plans impossible to develop. For this organization, it is advisable to seek different certifications that give more value to the product, such as 100% guaranteed organic product certifications, and good agricultural and manufacturing practices. Due to the level of production of the association, it would be necessary to obtain Internal Revenue Service (IRS) approval in order to be able to export in the future.

With respect to the association “José de Chalacay”, the CAME strategy demonstrated that there is a risk that the Mazar reservoir will have increased levels of contamination and that CELEC will implement restrictions on the reservoir's resources. Consultancy should be implemented for river seaweed reserve tanks, ensuring the production with raw material and speeding up production processes. In addition, the association “José de Chalacay” should concentrate on improving the appearance of the BIOL bottle in order to be more competitive in the market, focusing on the feature of being a 100% organic guaranteed product. The organization should have a better established organizational structure, since the roles of president, vice-president and producers do not perform their positions adequately. An accounting system should be implemented to improve the control of income and expenditure administered by the association.

In regards to the CAME Strategy for the associations that produce and collect unprocessed milk (Association “Asoprolac”, Collection Center "Jesús del Gran Poder", Association “Pequeños Ganaderos Señor de los Milagros" and Association “Pequeños Ganaderos 7 de Agosto”), it was concluded that in order to avoid these problems, controls such as (water, antibiotics and acidity) should be carried out at the moment of collecting the milk, instead of when all the milk arrives at the collection center. There are effective and fast ways to do quality control tests for untreated milk. The thesis research determined a test that does not need any expensive material or higher technological level, and at the same time did not take more than 5 minutes for its verification.

Finally, it was observed that the majority of the associations were considered micro-enterprises that do not have the necessary resources or advice to be able to expand by themselves. It is recommended that more research projects such as the one performed in this thesis project, can be promoted by universities, so that, together, they can create projects in which the participation of students and producers maintain a synergy that guarantees a solid base for the different entrepreneurship in the rural areas of the canton of Cuenca.

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ANNEXS

Export Audit Interviews of the Canton of Sevilla de Oro

| QUALIFICATION OF THE ASSOCIATION “JOSÉ DE CHALACAY” (ANNEX 1) | | | |
|---|----------------------|------------------------|--------------|
| ADMINISTRATIVE, ORGANIZATIONAL AND ASSOCIATIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have any type of certification? | 0 | | |
| 2 Do you have a Sanitary Registry? | 0 | | |
| 3 Are all the members active? | | | 5 |
| 4 Are you currently associated with any government entity? | 0 | | |
| 5 Do the members meet every week to discuss association issues? | | 3 | |
| PRODUCT AND PRODUCTIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Is it voluminous? | | | 5 |
| 2 Is the product not easily damaged? | | | 5 |
| 3 Is the product easily transported? | | | 5 |
| 4 Is production clean? | | | 5 |
| 5 Does it have added value? | | 3 | |
| 6 Is the production low-risk? | | | 5 |
| FINANCIAL AND ACCOUNTING ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have IRS? | 0 | | |
| 2 Do you have RICE? | 0 | | |
| 3 Are you covered by a bank loan? | 0 | | |
| 4 Does the company have an accounting system? | 0 | | |
| 5 Does it have the capital to increase its production? | | 3 | |
| SALES, PROMOTION AND LOGISTICS ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Does your product have a steady price? | | | 5 |
| 2 Is the production cost low? | | | 5 |
| 3 Do you use the internet to promote your product? | 0 | | |
| 4 Do you sell directly to the consumer? | | | 5 |
| 5 Does the product surpass local sales? | 0 | | |
| TOTALS | 0 | 9 | 45 |
| TRAFFIC LIGHT QUALIFICATION | | 54 | |

| QUALIFICATION OF THE ASSOCIATION “ASOPROLAC” (ANNEX 2) | | | |
|---|----------------------|------------------------|--------------|
| ADMINISTRATIVE, ORGANIZATIONAL AND ASSOCIATIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have any type of certification? | 0 | | |
| 2 Do you have a Sanitary Registry? | 0 | | |
| 3 Are all the members active? | | | 5 |
| 4 Are you currently associated with any government entity? | | 3 | |
| 5 Do the members meet every week to discuss association issues? | | | 5 |
| PRODUCT AND PRODUCTIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Is it voluminous? | | | 5 |
| 2 Is the product not easily damaged? | 0 | | |
| 3 Is the product easily transported? | | 3 | |
| 4 Is production clean? | | 3 | |
| 5 Does it have added value? | | 3 | |
| 6 Is the production low-risk? | 0 | | |
| FINANCIAL AND ACCOUNTING ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have IRS? | 0 | | |
| 2 Do you have RICE? | 0 | | |
| 3 Are you covered by a bank loan? | 0 | | |
| 4 Does the company have an accounting system? | | | 5 |
| 5 Does it have the capital to increase its production? | | 3 | |
| SALES, PROMOTION AND LOGISTICS ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Does your product have a steady price? | | 3 | |
| 2 Is the production cost low? | 0 | | |
| 3 Do you use the internet to promote your product? | | 3 | |
| 4 Do you sell directly to the consumer? | 0 | | |
| 5 Does the product surpass local sales? | | | 5 |
| TOTALS | 0 | 21 | 25 |
| TRAFFIC LIGHT QUALIFICATION | | 46 | |

| QUALIFICATION OF THE ORGANIC STRAWBERRY ASSOCIATION (ANNEX 3) | | | |
|--|----------------------|------------------------|--------------|
| ADMINISTRATIVE, ORGANIZATIONAL AND ASSOCIATIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have any type of certification? | 0 | | |
| 2 Do you have a Sanitary Registry? | 0 | | |
| 3 Are all the members active? | | | 5 |
| 4 Are you currently associated with any government entity? | | 3 | |
| 5 Do the members meet every week to discuss association issues? | | | 5 |
| PRODUCT AND PRODUCTIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Is it voluminous? | | | 5 |
| 2 Is the product not easily damaged? | | 3 | |
| 3 Is the product easily transported? | | | 5 |
| 4 Is production clean? | | | 5 |
| 5 Does it have added value? | | | 5 |
| 6 Is the production low-risk? | | 3 | |
| FINANCIAL AND ACCOUNTING ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have IRS? | 0 | | |
| 2 Do you have RICE? | 0 | | |
| 3 Are you covered by a bank loan? | 0 | | |
| 4 Does the company have an accounting system? | | | 5 |
| 5 Does it have the capital to increase its production? | | | 5 |
| SALES, PROMOTION AND LOGISTICS ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Does your product have a steady price? | | | 5 |
| 2 Is the production cost low? | | | 5 |
| 3 Do you use the internet to promote your product? | | | 5 |
| 4 Do you sell directly to the consumer? | | | 5 |
| 5 Does the product surpass local sales? | | | 5 |
| TOTALS | 0 | 9 | 65 |
| TRAFFIC LIGHT QUALIFICATION | | 74 | |

| QUALIFICATION OF THE ASSOCIATION “PRODUCERS OF OSOYACU” (ANNEX 4) | | | |
|--|----------------------|------------------------|--------------|
| ADMINISTRATIVE, ORGANIZATIONAL AND ASSOCIATIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have any type of certification? | 0 | | |
| 2 Do you have a Sanitary Registry? | 0 | | |
| 3 Are all the members active? | | | 5 |
| 4 Are you currently associated with any government entity? | | 3 | |
| 5 Do the members meet every week to discuss association issues? | | | 5 |
| PRODUCT AND PRODUCTIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Is it voluminous? | | 3 | |
| 2 Is the product not easily damaged? | | 3 | |
| 3 Is the product easily transported? | | | 5 |
| 4 Is production clean? | | | 5 |
| 5 Does it have added value? | 0 | | |
| 6 Is the production low-risk? | | | 5 |
| FINANCIAL AND ACCOUNTING ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have IRS? | 0 | | |
| 2 Do you have RICE? | 0 | | |
| 3 Are you covered by a bank loan? | 0 | | |
| 4 Does the company have an accounting system? | 0 | | |
| 5 Does it have the capital to increase its production? | 0 | | |
| SALES, PROMOTION AND LOGISTICS ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Does your product have a steady price? | | | 5 |
| 2 Is the production cost low? | | | 5 |
| 3 Do you use the internet to promote your product? | 0 | | |
| 4 Do you sell directly to the consumer? | | 3 | |
| 5 Does the product surpass local sales? | | 3 | |
| TOTALS | 0 | 15 | 35 |
| TRAFFIC LIGHT QUALIFICATION | | 50 | |

| QUALIFICATION OF THE ARTISAN ASSOCIATION OF “LA UNION” (ANNEX 5) | | | |
|---|----------------------|------------------------|--------------|
| ADMINISTRATIVE, ORGANIZATIONAL AND ASSOCIATIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have any type of certification? | 0 | | |
| 2 Do you have a Sanitary Registry? | 0 | | |
| 3 Are all the members active? | | | 5 |
| 4 Are you currently associated with any government entity? | 0 | | |
| 5 Do the members meet every week to discuss association issues? | | | 5 |
| PRODUCT AND PRODUCTIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Is it voluminous? | | | 5 |
| 2 Is the product not easily damaged? | 0 | | |
| 3 Is the product easily transported? | | 3 | |
| 4 Is production clean? | 0 | | |
| 5 Does it have added value? | 0 | | |
| 6 Is the production low-risk? | | 3 | |
| FINANCIAL AND ACCOUNTING ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have IRS? | 0 | | |
| 2 Do you have RICE? | 0 | | |
| 3 Are you covered by a bank loan? | | | 5 |
| 4 Does the company have an accounting system? | 0 | | |
| 5 Does it have the capital to increase its production? | 0 | | |
| SALES, PROMOTION AND LOGISTICS ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Does your product have a steady price? | 0 | | |
| 2 Is the production cost low? | | 3 | |
| 3 Do you use the internet to promote your product? | 0 | | |
| 4 Do you sell directly to the consumer? | | 3 | |
| 5 Does the product surpass local sales? | | | 5 |
| TOTALS | 0 | 12 | 25 |
| TRAFFIC LIGHT QUALIFICATION | | 37 | |

| QUALIFICATION OF THE COLLECTION CENTER “JESÚS DEL GRAN PODER” (ANNEX 6) | | | |
|--|----------------------|------------------------|--------------|
| ADMINISTRATIVE, ORGANIZATIONAL AND ASSOCIATIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have any type of certification? | 0 | | |
| 2 Do you have a Sanitary Registry? | 0 | | |
| 3 Are all the members active? | | | 5 |
| 4 Are you currently associated with any government entity? | | 3 | |
| 5 Do the members meet every week to discuss association issues? | | | 5 |
| PRODUCT AND PRODUCTIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Is it voluminous? | | 3 | |
| 2 Is the product not easily damaged? | 0 | | |
| 3 Is the product easily transported? | | | 5 |
| 4 Is production clean? | | | 5 |
| 5 Does it have added value? | | 3 | |
| 6 Is the production low-risk? | 0 | | |
| FINANCIAL AND ACCOUNTING ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have IRS? | 0 | | |
| 2 Do you have RICE? | 0 | | |
| 3 Are you covered by a bank loan? | 0 | | |
| 4 Does the company have an accounting system? | | | 5 |
| 5 Does it have the capital to increase its production? | | | 5 |
| SALES, PROMOTION AND LOGISTICS ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Does your product have a steady price? | | | 5 |
| 2 Is the production cost low? | 0 | | |
| 3 Do you use the internet to promote your product? | 0 | | |
| 4 Do you sell directly to the consumer? | 0 | | |
| 5 Does the product surpass local sales? | | 3 | |
| TOTALS | 0 | 13 | 32 |
| TRAFFIC LIGHT QUALIFICATION | | 47 | |

Export Audit Interviews of the Canton of El Pan

| QUALIFICATION OF THE ARTISAN ASSOCIATION OF “16 DE SEPTIEMBRE” (ANNEX 7) | | | |
|---|----------------------|------------------------|--------------|
| ADMINISTRATIVE, ORGANIZATIONAL AND ASSOCIATIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have any type of certification? | 0 | | |
| 2 Do you have a Sanitary Registry? | | 3 | |
| 3 Are all the members active? | | | 5 |
| 4 Are you currently associated with any government entity? | | | 5 |
| 5 Do the members meet every week to discuss association issues? | | | 5 |
| PRODUCT AND PRODUCTIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Is it voluminous? | | | 5 |
| 2 Is the product not easily damaged? | | 3 | |
| 3 Is the product easily transported? | | 3 | |
| 4 Is production clean? | | | 5 |
| 5 Does it have added value? | | | 5 |
| 6 Is the production low-risk? | | | 5 |
| FINANCIAL AND ACCOUNTING ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have IRS? | | | 5 |
| 2 Do you have RICE? | 0 | | |
| 3 Are you covered by a bank loan? | | | 5 |
| 4 Does the company have an accounting system? | | | 5 |
| 5 Does it have the capital to increase its production? | | | 5 |
| SALES, PROMOTION AND LOGISTICS ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Does your product have a steady price? | | 3 | |
| 2 Is the production cost low? | | | 5 |
| 3 Do you use the internet to promote your product? | | 3 | |
| 4 Do you sell directly to the consumer? | | | 5 |
| 5 Does the product surpass local sales? | | | 5 |
| TOTALS | 0 | 15 | 70 |
| TRAFFIC LIGHT QUALIFICATION | | | 85 |

| QUALIFICATION OF THE ASSOCIATION “SEÑOR DE LOS MILAGROS” (ANNEX 8) | | | |
|---|----------------------|------------------------|--------------|
| ADMINISTRATIVE, ORGANIZATIONAL AND ASSOCIATIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have any type of certification? | | | 5 |
| 2 Do you have a Sanitary Registry? | 0 | | |
| 3 Are all the members active? | | 3 | |
| 4 Are you currently associated with any government entity? | | 3 | |
| 5 Do the members meet every week to discuss association issues? | 0 | | |
| PRODUCT AND PRODUCTIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Is it voluminous? | | 3 | |
| 2 Is the product not easily damaged? | 0 | | |
| 3 Is the product easily transported? | | 3 | |
| 4 Is production clean? | | | 5 |
| 5 Does it have added value? | 0 | | |
| 6 Is the production low-risk? | 0 | | |
| FINANCIAL AND ACCOUNTING ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have IRS? | 0 | | |
| 2 Do you have RICE? | 0 | | |
| 3 Are you covered by a bank loan? | 0 | | |
| 4 Does the company have an accounting system? | 0 | | |
| 5 Does it have the capital to increase its production? | 0 | | |
| SALES, PROMOTION AND LOGISTICS ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Does your product have a steady price? | | | 5 |
| 2 Is the production cost low? | 0 | | |
| 3 Do you use the internet to promote your product? | 0 | | |
| 4 Do you sell directly to the consumer? | 0 | | |
| 5 Does the product surpass local sales? | 0 | | |
| TOTALS | 0 | 12 | 15 |
| TRAFFIC LIGHT QUALIFICATION | 27 | | |

| QUALIFICATION OF THE ASSOCIATION “PEQUEÑOS GANADEROS 7 DE AGOSTO” (ANNEX 9) | | | |
|--|----------------------|------------------------|--------------|
| ADMINISTRATIVE, ORGANIZATIONAL AND ASSOCIATIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have any type of certification? | 0 | | |
| 2 Do you have a Sanitary Registry? | 0 | | |
| 3 Are all the members active? | | | 5 |
| 4 Are you currently associated with any government entity? | | | 5 |
| 5 Do the members meet every week to discuss association issues? | | | 5 |
| PRODUCT AND PRODUCTIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Is it voluminous? | 0 | | |
| 2 Is the product not easily damaged? | 0 | | |
| 3 Is the product easily transported? | | | 5 |
| 4 Is production clean? | | | 5 |
| 5 Does it have added value? | 0 | | |
| 6 Is the production low-risk? | 0 | | |
| FINANCIAL AND ACCOUNTING ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have IRS? | 0 | | |
| 2 Do you have RICE? | 0 | | |
| 3 Are you covered by a bank loan? | | | 5 |
| 4 Does the company have an accounting system? | 0 | | |
| 5 Does it have the capital to increase its production? | 0 | | |
| SALES, PROMOTION AND LOGISTICS ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Does your product have a steady price? | | 3 | |
| 2 Is the production cost low? | 0 | | |
| 3 Do you use the internet to promote your product? | 0 | | |
| 4 Do you sell directly to the consumer? | 0 | | |
| 5 Does the product surpass local sales? | 0 | | |
| TOTALS | 0 | 3 | 30 |
| TRAFFIC LIGHT QUALIFICATION | 33 | | |

| QUALIFICATION OF THE BREEDERS ASSOCIATION “LA MERCED” (ANNEX 10) | | | |
|---|----------------------|------------------------|--------------|
| ADMINISTRATIVE, ORGANIZATIONAL AND ASSOCIATIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have any type of certification? | 0 | | |
| 2 Do you have a Sanitary Registry? | 0 | | |
| 3 Are all the members active? | | | 5 |
| 4 Are you currently associated with any government entity? | 0 | | |
| 5 Do the members meet every week to discuss association issues? | | | 5 |
| PRODUCT AND PRODUCTIVE ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Is it voluminous? | 0 | | |
| 2 Is the product not easily damaged? | | 3 | |
| 3 Is the product easily transported? | 0 | | |
| 4 Is production clean? | | 3 | |
| 5 Does it have added value? | 0 | | |
| 6 Is the production low-risk? | | 3 | |
| FINANCIAL AND ACCOUNTING ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Do you have IRS? | 0 | | |
| 2 Do you have RICE? | 0 | | |
| 3 Are you covered by a bank loan? | 0 | | |
| 4 Does the company have an accounting system? | 0 | | |
| 5 Does it have the capital to increase its production? | 0 | | |
| SALES, PROMOTION AND LOGISTICS ASPECTS | Does not Achieve = 0 | Partially Achieves = 3 | Achieves = 5 |
| 1 Does your product have a steady price? | | 3 | |
| 2 Is the production cost low? | | 3 | |
| 3 Do you use the internet to promote your product? | 0 | | |
| 4 Do you sell directly to the consumer? | | | 5 |
| 5 Does the product surpass local sales? | 0 | | |
| TOTALS | 0 | 15 | 15 |
| TRAFFIC LIGHT QUALIFICATION | 30 | | |