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Region's Supermarkets Join Forces To Combat Wal-mart;
Local Small Producers In The Crossfire

by LADB Staff
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Supermarkets throughout Central America have joined to form a single US$5 billion entity, Supermercados de Centroamerica y Panama (SUCAP). Involved in the association are 16 chains of stores totaling 279 locations. They employ some 24,000 workers. Spokespersons for the new conglomerate said they were not seeking to compete with Wal-Mart but rather to be more competitive through economies of scale in purchasing, technology, personnel, and use of resources. They also emphasize that this is not a merger.

Vice president of sales Diego Alonzo of Auto Mercado in Costa Rica, one of the member chains, explained, "This is a way of examining how to join forces to compete against other global-scale companies that are in the market." While SUCAP may not be looking to go head-to-head with the 15 country, US$348 billion Wal-Mart, it has certainly felt its presence since the giant moved into the neighborhood by buying a controlling interest in Central America Retail Holding Company (CARHCO) and getting effective control of the company's 447 stores (see NotiCen, 2006-03-23). It would be easy to mistake SUCAP for the little guy, but there is an even littler guy who has been up against the tendency toward globalized supersizing for years.

In December 2004, The New York Times ran a feature story, Supermarket Giants Crush Central American Farmers. The long piece detailed how small farmers were finding themselves increasingly shut out of the system by which supermarkets sought to buy produce of precise and uniform quality while dictating efficiencies that accumulated profits for themselves and denied them to producers. It chronicled campesinos' failed efforts to stay competitive, forming cooperatives but lacking the resources to invest in the greenhouses, irrigation systems, and pest-control methods necessary to meeting the specifications of the chains. It quoted Guatemalan co-op leader Mario Chinchilla, admitting in defeat, "They wanted consistent supply without ups and downs. We didn't have the capacity to do it."

The 2004 story told of the runaway increases in market share of the supermarkets and of the decline in open-air markets and small shops, venues where the local producers' offerings were still acceptable, and also of the massive increases in imports of produce from every point on the globe, imports whose limitless variety and uniform quality the locals could not stand up to. All this was even before Wal-Mart had begun to cast its shadow across the isthmus. In the meantime, the supermarkets have begun to experience their own situation much as Mario Chinchilla did his, but, unlike Chinchilla's co-op, the resources are available. "The decision was that because of this being a much more globalized economy, we could take advantage of that energy by working together," said Carlos Lemus, executive director of SUCAP. Francisco Calleja owns Super Selectos in El Salvador. He has been named president of the alliance. He described it as open to any majority shareholder in any of the region’s chains and not a merger or a situation that would place limits on any of the...
members’ opening new stores anywhere. "There is freedom to invest in the rest of Central America. The Costa Rican can come to El Salvador, the Salvadoran can go to Costa Rica," he said.

Examples of the achievable economies of scale are formidable, said Calleja. An order from China, for example, that might have amounted to 140 containers by one of the largest chains would now grow to an order of 500 containers at lower prices. His company, Grupo Calleja, plans a US$15 million infrastructure investment in six new Super Selectos and Selectos Markets; two new stores are set to open in March. With this new growth, 2008 investment has already surpassed last year's US$12 million total.

Some members are looking on the bright side of the arrival of Wal-Mart. "If anything has strengthened us it is the entry of the big operators. Today we are livelier and more aggressive. If Wal-Mart had not come to the Central American market, perhaps we never would have united," said Guillermo Aguilar of Perimercados de Costa Rica. If this is gratitude, to the extent that it is somewhat baleful and grudging, it is not entirely unlike the kind of gratitude small producers may be feeling at Wal-Mart's attempt at a solution to their inability to compete as suppliers to the megalith.

Wal-Mart is backing a program, Una mano para crecer (A Hand to Grow), to train small and medium-sized producers to meet the requirements of the giants. Wal-Mart's regional director of corporate affairs said the program "is an opportunity for the pymes (small producers) to grow and extend their businesses." She said her company now has 50 small providers and plans to take on more in negotiations set for late February in El Salvador and again throughout the year in other countries. In El Salvador, the company works through the Ministry of Economy to hold meetings at which supplier deals are negotiated with small producers. The February event will be held at the Holiday Inn, and participant producers are invited to set up stands to display their wares and then to make appointments with administrators. The company web site noted that 50 producers had signed up for the February event.

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