



Strategic Planning for a Start-Up International small Organic
Quinoa Export Company - Exporting from Peru to Germany.
A case-based study.

MASTER THESIS

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List of Abbreviations

ANA	: Autoridad Nacional del Agua (National Water Authority).
ASA	: Peru Agriculture Opportunities.
BCRP	: Banco Central de Reserva del Perú (Central Reserve Bank of Peru).
CPM	: Competitive Profile Matrix.
FAO	: Food and Agriculture Organization of the United Nations.
GDP	: Gross Domestic Product.
GmbH	: Gesellschaft mit beschränkter Haftung (company with limited liability).
HACCP	: Hazard Analysis Critical Control Point.
IMF	: International Monetary Fund.
INEI	: Instituto Nacional de Estadística e Informática (National Institute of Statistics and Information).
MINAGRI	: Ministerio de Agricultura y Riego (Agriculture and Irrigation Ministry).
MINAM	: Ministerio del Ambiente (Ministry of Environment).
MRL	: Maximum Residue Limit.
OAS	: Organization of American States.
OECD	: Organization for Economic Co-operation and Development.
PESTLE	: Political, Economic, Social, Technological, Legal, and Environmental.
PNA	: Política Nacional del Ambiente (National Environmental Policy).
PROMPERU	: Comisión de Promoción del Perú para la Exportación y el Turismo (Peruvian Commission for the Promotion of Export and Tourism).
SEIA	: Sistema Nacional de Evaluación del Impacto Ambiental (National Environmental Impact Assessment System).
SENAMHI	: Servicio Nacional de Meteorología e Hidrología del Perú (National Service of Meteorology and Hydrology of Peru).
SENASA	: Servicio Nacional de Sanidad Agraria (National Service of Agrarian Health).
SIICEX	: Sistema Integrado de Información de Comercio Exterior (Integrated Foreign Trade Information System).
SNGA	: Sistema Nacional de Gestión Ambiental (National Environmental Management System).
SSOPs	: Sanitation Standard Operating Procedures.
SUNAT	: Superintendencia Nacional de Administración Tributaria (National Superintendency of Tax Administration).
SWOT	: Strengths, Weaknesses, Opportunities, and Threats.
TARIC	: The Integrated Tariff of the European Union.

Summary

A growing population and rising incomes will produce an increase in demand for agricultural products with higher nutritional properties in the next years. However, the small farms which produce a great percentage of the current market agricultural products are no longer profitable, and more and more farmers are forced to abandon their fields and migrate to the cities, increasing in this way the social problem.

The agricultural Quinoa export business presents itself as a profitable solution for small farmers. The Quinoa, also known as the Andean “super grain” is a good source of proteins, fats, carbohydrates, minerals, and vitamins; and it is a gluten-free food alternative. Furthermore, it is a profitable crop because its price surged by 600 percent between 2005 and 2013. Germany, as the largest economy in Europe, the fourth-largest worldwide and one of the biggest importers of goods in the world is an attractive destination for Quinoa. For instance, the total value of quinoa imports between Germany and the world was almost 12 million euros only in 2019

The objective of this thesis is to establish a strategic plan for the development of a new small agricultural Quinoa export business from Peru to Germany, and in this way create a sustainable and efficient business model that allows small farmers who are in most cases subsistence-oriented producers to treat farming as a business. This objective will be achieved through:

- ✓ Formulating a vision, mission, values, and ethics code for the new company.
- ✓ Analyzing and estimating the impact of the external factors in the new company.
- ✓ Analyzing and evaluating the strengths and weaknesses of each internal functional area of the new company.
- ✓ Generating, choosing, and evaluating the strategies of the business.

These statements summarize the necessary processes that describe what will be researched during this work, they allow us to develop the purpose of this thesis.

1. Chapter 1: Introduction

1.1. General Problem

Agriculture has played and undoubtedly continues to play a critical role in the rise of human civilization. Until some decades ago this economic sector has been associated only with the production of essential food crops, livestock, or poultry farming. However, at present, agriculture production activities include production, processing, promotion, and distribution of this kind of product.

The recent Pandemic has shown us that agriculture has played a vital role in this globalized economy, despite the organized global food supply chain many countries had food scarcity, and even more, there were many cities in developed countries where people faced a lack of access to enough healthy food. Furthermore, we have to consider that a growing population and rising incomes will produce an increase in demand for agricultural products by 35-50 percent between 2012 and 2050 (FAO, 2019, p. xvii). Also, agriculture provides employment opportunities to a great percentage of the society because almost 30 percent of total world's population depends on this economic activity (FAO, 2019, p. 46); however, almost 85 percent of the world's farms are smaller than 2 hectares, in most low-income and lower-middle-income countries, small farms are becoming smaller, to the point where many are not economically viable (FAO, 2017, p. xiv).

Peru is not the exception to the rule, with almost 30 percent of the population working in agriculture and almost 20 percent of its territory as agricultural land area (FAO, 2019, p. 179), this economic sector is still the main source of employment and income for much of the Peruvians. However, here the agriculture is extremely heterogeneous because almost 2 million small farms, which represent almost 89 percent of the total number of Peruvian farmers, work less than 10 ha, and only 25 000 commercial farms, which represent almost only 1 percent of the total number of farmers, work more than 100 ha (ASA, 2017, p. 36).

The small size of the farms makes peasant households more vulnerable to problems such as unfair competition, extreme weather events (droughts and floods), oil price volatility, unstable market conditions, and even worst, lack of access to markets. In Peru as in other countries, connectivity to markets is a critical factor that drives productivity and competitiveness. Connectivity to markets allows farmers to detect changes in price signals that can help to redirect resources profitably; and it also provides a conduit for channeling technology and knowledge to farmers (ASA, 2017, p. 111).

Market Intermediaries take advantage of this lack of connectivity to markets of the Peruvians farmers, they buy the products at low prices in the farms, and then distribute and sell them in the big cities throughout the country at higher prices. Without any option to negotiate the prices of their products, the small farms are no longer profitable and they are forced to abandon their fields and migrate to the cities, increasing in this way the social problem. Taking into consideration this, small farmers face the challenge to find new market opportunities with a higher integration into these markets to reduce their productive inefficiency.

The agricultural Quinoa export business presents itself as a profitable solution for the small farmers in the Peruvian highlands. The Quinoa, also known as the Andean "super grain" is a good source of proteins, fats, carbohydrates, minerals, and vitamins; and it is a gluten-free food alternative. Furthermore, it is a profitable crop because its price surged by 600 percent between 2005 and 2013. (McDonell, 2018).

Germany, as the largest economy in Europe, the fourth-largest worldwide and one of the biggest importers of goods in the world is an attractive destination for Quinoa. Considering the financial strength and deficit of arable land there, agricultural trade with this country is a unique opportunity for many small farmers in developing countries. Furthermore, the temperature and climate conditions in Germany are not favorable to large-scale Quinoa production which have high demand there. For instance, the total value of quinoa imports between Germany and the world was almost 12 million euros only in 2019 (Eurostat, 2020).

All these factors emphasize the urgency of creating sustainable and efficient business models which allow small farmers who are in most cases subsistence-oriented producers to treat farming as a business. This work will develop a strategic plan to run a new agricultural export company in the region of Huánuco in the Peruvian highlands at an altitude of 3400 meters above mean sea level, this company will use potential fertile lands there which have not been exploited due to lack of capital, technical advice, and difficult access.

This new business also pretends to include regional small-scale producers who do not have access to financial services into markets for this kind of products that can be sold in Germany. Furthermore, this project will also be model for future small businesses in developing countries, as a way to increase the quality of life of farmers or small businessmen and ensure the quantity and quality of agricultural products in developed countries.

1.2. Objectives

General Objective

- ✓ Design a Strategic Business Plan to run a new agricultural export company that exports organic Quinoa from Peru to Germany.

Specific Objectives

- ✓ Formulate a vision, mission, values, and ethics code for the new company.
- ✓ Analyze and estimate the impact of the external factors on the new company.
- ✓ Analyze and evaluate the strengths and weaknesses of each internal functional area of the new company.
- ✓ Generate, choose and evaluate the strategies of the business.

These statements summarize the necessary processes that describe what will be researched during this work, they allow us to develop the purpose of this thesis.

1.3. Structure of the Paper

In the first chapter, we present a general view of the background, and problems in the agricultural sector, then we describe the challenges that small farmers currently face. We also describe the opportunities and some advantages of the German market, as well as, the reasons why we consider the agricultural Quinoa export business as a profitable solution for small producers. This chapter also includes general, and specific objectives of this thesis.

In the second chapter, we focus on the theoretical part which includes a general review, discussion, and evaluation of theories. This chapter begins with an explanation of the sequence that follows the strategic management model which is divided into 6 main stages (Company Situation, Selected Competitors Situation, Customer Market Situation,

Environmental Situation, SWOT Analysis, and Strategy Formation), after that, we explain in detail each part.

Each one of the 6 main stages is developed in chapter three, it begins with an explanation of the company situation, then we set the objectives, vision, mission, values, and code of ethics of the organization which will define the future of the organization. After that, we explain in a general way all the factors of production that our company has. Then, we identify the organization's main competitors, we selected evaluation factors which allow us to compare, after that we obtain the competitive profile matrix which measures the competitors' performance.

Later, we develop a customer market situation, which is divided into geographic, demographic, psychographic, and behavioral segmentation, this allows us to discover potential customers which are not still satisfied with the current Quinoa products. Next, we work on the environmental analysis, where we analyze the political, economic, social, technological, legal, and environmental factors. This chapter ends with the Strategy Formation, where we choose the most suitable strategies which we can apply to our company's situation. Finally, in chapter four, we present the conclusions of our work.

2. Chapter 2: Theoretical Basis

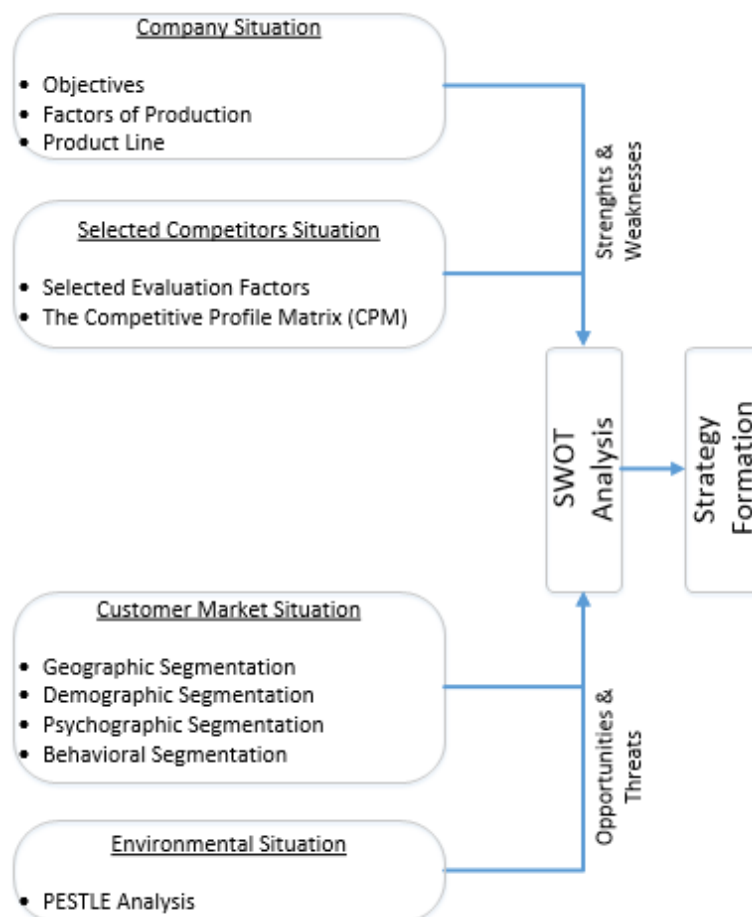
Strategic Planning is searching for strategies that allow an organization to design a desirable future. It is a powerful tool for all kinds of companies. The planning should be made according to the needs of each organization because there is not a previous scheme or previous solution that we could follow (D' Alessio, 2008, p. XXI) (Translated by the author). Transform an organization or a project from the current situation to the desired prospect require that the company should fulfill:

- ✓ Productivity and Competitively: The organization sets the goal to reach a satisfactory development that shows an optimal and effective use of resources.
- ✓ Ethics and Legality: The organization has to operate under legal and ethical rules.
- ✓ Social Commitment: The organization has to develop activities that support the surrounded communities, and its country.

Besides these objectives, it is important to define the steps, that will lead the organization to the desired future.

Figure 1

Sequential Model of the Strategic Process



Note: This figure shows the sequence that follows the strategic management model which is divided into 6 main stages: Company Situation, Selected Competitors Situation, Customer Market Situation, Environmental Situation, SWOT Analysis, and Strategy Formation

The first two stages of the Sequential Model imply the identification of our company's strengths and weaknesses and are constituted by Company Situation and the Selected Competitors Situation. The next two stages determine our company's opportunities and threats and are composed of Customer Market Situation and the Environmental Situation. These first four stages give us all the necessary information to prepare a SWOT Analysis which is the fifth stage, results are presented in the form of a matrix. The final stage is called the Strategy Formation which main focus is the process to determine which analyzed strategies in the previous phases are more suitable, and recommendable to adopt.

2.1. Company Situation

The strategic planning process begins with the understanding of our organization, the company situation analysis studies the following internal factors in our company:

- Objectives: Company's Vision, Mission, Values, and Code of Ethics.
- Factors of Production: Company's land, labor, capital, and entrepreneurship.
- Products: Company's goods and services.

This analysis helps us to identify our strengths and weaknesses.

2.1.1. Objectives

Think in the future and plan in a strategic way grant the organization more possibilities to survive. The Company Situation Analysis begins with the setting of the vision and mission of the organization, organizational interests, values, and code of ethics that will guide the organization. (D' Alessio, 2008, p. 11) (Translated by the author). We have also to consider an evaluation of the external and internal factors which will influence the organization, the analysis of the industrial sector and the competitors, this stage will end with the identification and selection of the specific strategies which allow the organization to improve its competitiveness in a global scope.

2.1.1.1. Vision

The vision of a company is the desired definition of its future, it replies to the question: What do we want to become? It implies a long-term approach based on the current and future situation of the industry, as well as, the current and future reality of the analyzed organization. The vision could be also defined as the sum of achieving all the long-term objectives that the organization has been mapped in this process. All the members of the organization should share the same vision, this should include them, and motivate members to its fulfillment.

2.1.1.2. Mission

This statement defines the purpose of an organization, what makes it different from other organizations of similar characteristics, this statement also set the scope of the business's operations The mission is the driving force of the organization towards the desired future situation, it replies to the question: What is our business? The strategic mission is the application and startup of the strategic process.

The vision and mission together identify the future that the organization plan to achieve, both establish the long-term direction and reply to the questions: Who are we? What do we do? And where are we going? The mission establishes the differentiation between our organization and others that belongs to the same industry. It also establishes the identity which leads our organization to its purpose.

The establishment of the mission will help us to not commit the mistake to take many directions. Most of the time, when someone is confused make many attempts in many directions, but in the end, no concrete direction is taken, and the future of the organization tends to be uncertain in the long term. For that reason, the mission requires a strong vision that delimits the present and the expected future. The mission will set the way to take.

2.1.1.3. Values

The values of an organization may be considered as the most important company policies because they rule, channel the performance of the workers, and constitute the performance pattern that guides the decision-making process. (D' Alessio, 2008, pp. 68-69) (Translated by the author). The values establish the philosophy of the organization because it represents the company's beliefs, attitudes, traditions, and personality. The values are important because they allow the organization to shape the objectives, define the policies, and delineate the strategic intentions.

2.1.1.4. Code of Ethics

Each organization has to create an environment that inspires the employees to take always the correct decisions. It implies applying and integrating the ethic concept to daily actions. For that reason, each organization should write a Code of Ethics, which establishes a system of principles of desirable conduct, which guide the actions of its employees. This document also helps the organization to show to the workers and community in general that the institution has an ethical patron of actions that are known. This code also shows the organization's values and establish the desired behaviors, as well as, the duties and right of the members. This document is important to create a solid organizational culture.

2.1.2. Factors of Production

Recognized economists such as Adam Smith, David Ricardo, and Karl Marx identified the resources required to produce goods and services, these inputs were named factors of production. The factors of production are resources required by an organization to generate profits, all kinds of businesses require resources to operate. According to economic theories we classify them in four categories:

- Land
- Labor
- Capital
- Entrepreneurship

If an organization can manage efficiently its factors of production, it can create goods at higher quality and lower price, which in the end will increase its competitiveness.

2.1.2.1. Land

The first factor of production is the land which has various forms, from agricultural lands to commercial properties, it also includes natural resources such as water, oil, or minerals, this factor of production is found in nature. Potential entrepreneurs first have to find, and then discover how to use it.

2.1.2.2. Labor

The labor factor considers the human resources which develop either physical or intellectual work. It represents all the people required to transform resources into goods or services, it may take various forms from untrained workers to high-skilled employees.

2.1.2.3. Capital

Most people and, even more, many economic books define wrongly capital as money, but it is not a factor of production because it cannot produce anything, since it is only used to facilitate trade and purchase of productive resources. We could define capital as man-made goods used in the production of other goods. This factor of production considers tools, machinery, technology, and buildings.

2.1.2.4. Entrepreneurship

The fourth factor of production is Entrepreneurship which is a person or group of people who combine all the other factors (land, labor, and capital) into a product or service. Entrepreneurship implies vision, investment, and risk, for that reason, just a few people are willing to take the challenge to invest their time and money to run a new business. We have a wide range of examples from the person who decide to invest their money to buy a farm to produce vegetables for the market to Henry Ford who revolutionized the transportation industry with the introduction of his Model T automobile.

2.1.3. Product Line

It evaluates the group of products or services that our company offers. The number of product lines that a company has reflects its wealth, how capable it is, and how competitive it is. Product lines give organizations a competitive advantage, because they have more options to enter into a new market, and the possibility to satisfy customers with different desires and interests.

2.2. Selected Competitors Situation

We have to consider that the competitors (current, substitute, or incoming), as well as, the suppliers, and clients try to develop strategies to obtain as many benefits as possible. Furthermore, rivalry among our company's competitors is a key factor because they are the players which try to obtain more participation in the market capturing the same customer's attention, who will choose the best alternative of products, goods, and services.

There is an inverse relationship between the level of rivalry between companies and the average profitability, when the rivalry between companies is more intense, the average

profitability will decrease. Furthermore, as long as the main firms in an industry are similar in size, the rivalry among them will be more intense.

A general analysis of our main competitors allows us to determine the structure and attractiveness of this economic sector, as well as, the strategic situation and the current positions of the organization in the industry and the markets. Knowing other companies' advantages can help us to improve the quality of our products or services, also competitors' weaknesses let us choose suitable strategies to take advantage of them.

The first step to make a satisfactory analysis is to define which companies are our direct competitors based on their kind of products, and target markets. After defining the competitors we can begin with The Competitive Profile Matrix (CPM).

This Matrix is a tool that compares a company and its competitors and shows us their relative strengths and weaknesses. Based on the economic sector we have to identify the industry's critical success factors. The purpose is to identify the areas which the company should improve and the area which should protect.

2.2.1. Critical Success Factors

These factors determine the company's success in a particular economic sector, they are different among industries, and therefore we should identify them. Correct identification of them will allow our organization to achieve its mission and goals, it also will help us to allocate our resources efficiently to increase the company's performance.

2.2.2. Weight

We have to assign a weight ranging from 0.0 (low importance) to 1.0 (high importance) to each critical success factor. This weight shows the importance of that factor in the competitors' and our organization's success. The sum of all the weights must equal 1.0.

2.2.3. Rating

It reflects how well the competitors are doing in each previously chosen factor. They are ranged from 4 to 1:

- 4 = major strength
- 3 = minor strength
- 2 = minor weakness
- 1 = major weakness

This consistent unit of measurement helps us to compare easily, the competitors' performance in each category.

2.2.4. Score

It is the result of weight multiplied by rating, we have to calculate a score for each factor, and the total score is the sum of all individual scores. At the end of the process, we have to estimate the total score for each competitor, the company which receives the highest score is relatively stronger than its competitors.

Table 1

The Competitive Profile Matrix (CPM)

The Competitive Profile Matrix (CPM)										
			Competitor 1		Competitor 2		Competitor 3		Competitor 4	
Factor		Weight	Rating	Score	Rating	Score	Rating	Score	Rating	Score
1	Factor A	0.15	4	0.6	1	0.15	3	0.45	2	0.3
2	Factor B	0.15	3	0.45	1	0.15	1	0.15	3	0.45
3	Factor C	0.15	1	0.15	4	0.6	2	0.3	2	0.3
4	Factor D	0.05	2	0.1	4	0.2	4	0.2	1	0.05
5	Factor E	0.1	1	0.1	1	0.1	1	0.1	4	0.4
6	Factor F	0.1	3	0.3	2	0.2	3	0.3	3	0.3
7	Factor G	0.05	4	0.2	3	0.15	4	0.2	2	0.1
8	Factor H	0.05	1	0.05	3	0.15	2	0.1	3	0.15
9	Factor I	0.2	2	0.4	2	0.4	3	0.6	3	0.6
Total		1	-	2.35	-	2.1	-	2.4	-	2.65

2.3. Customer Market Situation

A company needs to recognize potential business opportunities, a correct identification of them will allow an organization to take advantage of these favorable circumstances. For that reason, it is essential to define the context where our organization will participate and compete. Discover a company's market situation implies collect background data on sales, costs, market size, customer preferences, and trends. All this process will allow us to define the market, how big it is, and how fast it is growing. Kotler & Keller (2016) developed a Sample Marketing Plan focused on the customer market situation which helps us to determine what the real requirements of our potential clients are and what kind of customers we are trying to satisfy (pp. 83-87). The first step is to identify the right market for our products, target them.

Not everyone likes the same restaurant, car brand, or university. A market segment is a group of people who share common marketable characteristics. Target market implies selecting one or more different market segments to enter, those which may present the best opportunities, for that reason we have to divide the whole market into small and homogeneous segments. The segment's members should present a similar reaction to marketing tactics.

Kotler & Keller (2016) purposes four major segmentation variables: geographic, demographic, psychographic, and behavioral (p. 268). The definition and analysis of the selected segments will allow us to discover which kind of specific customers purchase our products, and therefore we could concentrate our efforts to satisfy the needs and desires of this particular sector.

2.3.1. Geographic Segmentation

We need to learn where your target market is located. This segmentation depends on the scope of our business, but basically, it divides the market based on locations

(continent, country, or region) where the company can operate. We have to consider that consumers from specific geographic areas have particular needs and preferences, therefore they tend to consume different products or services.

2.3.2. Demographic Segmentation

We should know important facts like age, income, family size, gender, or social class of our customers. This segmentation divides the market into segments related to demographic factors. Kotler & Keller (2016) states that demographic variables are so useful because they are always linked with customer needs, and wants which are easy to measure. (p. 27). One of the main sources to develop demographic segmentation are government censuses; however, we should not assume that all the consumers in the same demographic group have similar preferences.

2.3.3. Psychographic Segmentation

This segmentation combines psychology and demographics to understand consumers' patterns, buyers are divided into groups based on their personality traits, lifestyle choices, or values. This is particularly interesting because most of the time there are people within the same demographic group who show different psychographic profiles. For example, customers motivated by ideals are guided by knowledge and principles before a purchase, or customers driven by achievements tend to buy products that demonstrate success to the rest (Kotler & Keller, 2016, p.280). Psychographic segmentation is harder to identify, therefore suitable research is required; however, it allows to obtain an accurate segmentation because it is based on very personal characteristics and preferences.

2.3.4. Behavioral Segmentation

In this segmentation, we divide the buyers into groups based on their behavior patterns when they interact with a particular product. The customers' behavior pattern could be their knowledge of, attitude towards, use of, or response to a product. Kotler & Keller (2016) purposes need, benefits, decision roles, and user variables as segmentation factors (pp. 281-282):

- **Need and Benefits:** Each person has different needs or wants diverse benefits when they buy a product, needs-based or benefit-based segmentation establishes various market segments such as image seekers, savvy shoppers, or traditionalists.
- **Decision Roles:** It is important to identify who is in charge of taking specific decisions for particular products. For example, in Latin America, most of the time men choose automobile accessories and women tend to choose makeup cosmetics.
- **User Variables:** Customers will tend to use a product based on occasions, status, loyalty, or attitude.

This segmentation helps us to prioritize campaigns, and spend less time and resources to reach a specific group of customers.

2.4. Environmental Situation

The current organizations face a new geopolitical order which is multipolar, changing, asymmetric, and globalized. This new order has generated the end of the economic borders which divided the national and international environment in the past. Nowadays the competence takes place in the global arena without restrictions, the borders remain but just physically, not commercially. Currently, almost any manager makes differences between national and foreign suppliers, national and foreign competitors, national and foreign clients; nowadays managers make references to a single environment with a unique concept of suppliers, competitors, and clients.

An important point of the strategic process in the current context is the design of management which has as a reference the influence of the environment. The organization has to evaluate the environment permanently, otherwise, the company will be placed out of the market. It is required full knowledge of the environment to adapt the organization wisely and take advantage of the opportunities that the environment may provide and deal with the threats that may appear.

Successful management should monitor, and establishing timely early alarm systems of the potential changes, these changes take place in the environment, sector, competitors and finally in the demand and behavior of the buyers. The current environment presents a competitive scenario that has well-defined political, economic, social, technological, legal, and environmental characteristics which impact the organizations. (D' Alessio, 2008, p.113) (Translated by the author).

Under this scenario, the PESTLE Analysis appears as a powerful tool that allows us to evaluate the changing environmental situation. This Analysis allows us to evaluate external factors with a comprehensive and systemic approach, we divide the external factors into 6 categories: political forces, economic forces, social forces, technological forces, legal forces, and environmental forces.

2.4.1. Political Forces(P)

These are the forces that determine the formal and informal rules, our organization has to operate under these rules. In most cases, they are probably the most important variables in the external evaluation because the political forces have a strong influence on the business activities, suppliers, and buyers.

Table 2

Political Variables

Political Variables	
Main	Secondary
<ul style="list-style-type: none"> • Political Stability • Monetary Policy • Fiscal Policy • Corruption • Informality • Relations with international institutions • Government system 	<ul style="list-style-type: none"> • Political parties in power • Subsidy Policy • Threats of Expropriation • Government budgets • Order and internal security • Global political situation • Relations with other governments

The political forces are associated with the power processes around our organization, to the deals related to the organization's purposes, as well as to the interest conflicts between the involved agents. Under this scenario, our organization searches for allies in the political fields and tries to defeat possible opposition from groups of power. All these factors determine a set of variables as we can see in Table 2, which establish the limits for the development of the companies. We have to evaluate the variables that we consider more relevant to our economic sector to discover if they represent opportunities or threats in our organization.

2.4.2. Economic Forces (E)

These forces determine the macroeconomic tendencies, financial conditions, and investment decisions. They have a direct influence on the buyers' purchasing power and are important for the activities related to international trade such as import and export of products.

Table 3

Economic Variables

Economic Variables	
Main	Secondary
<ul style="list-style-type: none"> • Evolution of the national GDP and GDP per capita. • Evolution of the buyer purchasing power • Interest rate • Inflation and Devaluation rates • Cost of Equity and cost of debt • Workforce cost • Cost of raw materials • The level of the informality of the economy • Tariff rate • Country risk rating • Free trade agreements between countries 	<ul style="list-style-type: none"> • The behavior of the demand for goods and services • Price fluctuation • Economic system • Access to credits in the finance system • Net foreign investment • Monopolistic practices • Fiscal Deficit • Stock Market activity • World Economy Situation • Trade Balance Situation • Relation with international organizations (IMF, World Bank)

In the last years, the economic forces have become the most relevant factors for the organization management because the economic variables had fast changes worldwide, which allow them to change the geopolitical order. Nowadays, we talk about regional economic blocks (European Union, MERCOSUR) instead of single states as the main performers of the globalized economy.

Finally, we have to consider that the market agent's investment decisions are more volatile and unpredictable which makes it more difficult for the organizations to forecast eventual possible future scenarios. In table 3 we can see some economic variables, which we have to evaluate to discover if they represent opportunities or threats for the organization.

2.4.3. Social Forces (S)

The social forces involve beliefs, values, opinions, and lifestyles that receive the influence of the social, cultural, demographic, ethnic, and religious conditions that exist in the environment of our organization (D' Alessio, 2008, p. 121). These forces play a significant role because they define the customers' profile, size of the markets, shopping habits, and influence the decisions of the clients.

Despite that we live in a globalized world where the borders tend to disappear, there is a big difference between the social forces in each country, therefore multinational organizations have to adapt themselves to each local scenario. The phrase "think globally, act locally" is more valid than ever. The social variables have to be evaluated to understand if they represent opportunities or threats for our organization, in table 4 we can see them.

Table 4

Social Variables

Social Variables	
Main	Secondary
<ul style="list-style-type: none"> • Population Growth Rate • Unemployment and underemployment rate. • Poverty and extreme poverty rate. • Distribution of Wealth and Income • Illiteracy rate • The average level of education • Culture and idiosyncrasy • Population lifestyles 	<ul style="list-style-type: none"> • Life expectancy • Mortality rate • Immigration and Emigration rates • Social roles related to age and genre. • Ethics and values • Social commitment • Use of free time • Religious and ethnic conflicts • Quality of life in the population • Attitude toward globalization.

We have to evaluate the variables that we consider more relevant to our economic sector to discover if they represent opportunities or threats in our organization. Social variables are sensitive factors in Latin-American countries, and even big projects managed by international companies had to stop because they did not reach an agreement with local communities.

2.4.4. Technological Forces (T)

Fast changes, permanent scientific innovation, technological progress, and widespread knowledge are characteristics of the technological forces. The impact of these forces is strong because they change the rules between competitors, make obsolete traditional management tools, reduce or delete entry barriers in a specific sector, generate new business opportunities, and influence the decisions of outsourcing some activities inside the business.

Table 5

Technological Variables

Technological Variables	
Main	Secondary
<ul style="list-style-type: none"> • State of the Art • Technology transfer speed. • Investment in Research and Development (R& D) • Development of the communications • Use of information technologies • Evolution in the number of patents. • Use of Internet 	<ul style="list-style-type: none"> • Biotechnology studies • Advances in material science • Development and integration of informatics solutions • Technological improvements and innovations • Multimedia applications • Automatism

Organizations have to adapt and evolve by themselves to these fast changes because technological advances allow companies to produce new and better products, change the costs of production, reduce the barriers between different organizations, create shorter processes, and increased the demand for well-prepared professionals. For that reason is important to understand the technological variables and its effect in the sector which belongs our organization to realize if they could generate opportunities or threat for our organization. We can see these variables in Table 5.

2.4.5. Legal Forces (L)

The rules and regulations that a government implements will always have an impact on the success of an organization.

Table 6

Legal Variables

Legal Variables	
Main	Secondary
<ul style="list-style-type: none"> • Labor legislation • Tariff legislation • Environmental legislation • Anti-trust laws • Consumer protection laws • Health and safety laws 	<ul style="list-style-type: none"> • Defense of free competition • Defense of intellectual property (copyright and patent laws). • International laws and human rights

We can define government as any authority that can make law, rules, or regulations, it may include a national, municipal, or regional government. In case a company operates in many places, the organization will follow the laws of more than one government. We should not see laws as barriers to starting a business in a country, we should consider them as tools that establish standards that help us to maintain order, and protect rights. We can see the legal variables in table 6.

2.4.6. Environmental Forces (E)

We could define environmental conservation as the protection, preservation, or restoration of natural environments, and it has obtained more relevance in the last years. The environmental forces are driven by institutions that fight for environmental conservation. For example, these institutions warn society about the harmful effects of industrialization, rainforest logging or predation, or endangered species.

Table 7

Environmental Variables

Environmental Variables	
Main	Secondary
<ul style="list-style-type: none">• Environmental Protection• Preservation of no-renewable natural resources• Natural disaster risks• Recycling culture• Waste management• Efficient energy use	<ul style="list-style-type: none">• Environmental movements• Air, water, and soil pollution• Protection of biodiversity(plants and animals)• Ozone layer depletion

These institutions will affect the decisions of our organization in the operational, legal, image, and even commercial aspects. As in the last forces, we need to analyze the environmental variables to realize if they may generate opportunities or threats for our organization, these variables are shown in table 7.

2.5. SWOT Analysis

The Strengths, Weaknesses, Opportunities, and Threats analysis is a simple, but powerful well-known tool that will allow us to optimize the decision-making process for the strategic planning of our new company. After completing the first four stages of our Strategic Planning, we are going to obtain the strengths and weaknesses of our organization based on the Company's Situation and the Selected Competitors' situation. Besides our organization's opportunities and threats will be based on the Customer Market Situation and the Environmental situation.

Figure 2

SWOT Analysis applied for Strategic Planning

	Helpful to achieve the objective	Harmful to achieve the objective
Internal Origin	<p>S</p> <ul style="list-style-type: none"> Company's situation strengths Selected Competitors' situation strengths 	<p>W</p> <ul style="list-style-type: none"> Company's situation weaknesses Selected Competitors' situation weaknesses
External Origin	<p>O</p> <ul style="list-style-type: none"> Customer Market situation opportunities Environmental situation opportunities 	<p>T</p> <ul style="list-style-type: none"> Customer Market situation threats Environmental situation threats

Figure 3

SWOT Analysis Matching

	Opportunities	Threats
Strengths	<p>Strength-Opportunity strategies</p> <p>Which of the company's and competitors' strengths can be used to maximize the opportunities we identified?</p>	<p>Strength-Threats strategies</p> <p>How can we use the company's and competitors' strengths to minimize the threats we identified?</p>
Weaknesses	<p>Weakness-Opportunity strategies</p> <p>What decisions can we take to minimize the company's and competitors' weaknesses using the opportunities we identified?</p>	<p>Weakness- Threat strategies</p> <p>How can we minimize the company's and competitors' weaknesses to avoid the threats we identified?</p>

A SWOT Analysis organizes the results of these four main stages in a simple two-by-two grid, which allows us to identify the main tasks, and encourages us to think in new ways to develop our organization. In Figure 3 we can see the matches between the obtained strengths, weaknesses, opportunities, and threats which give us the possible strategies.

2.6. Strategy Formation

We have to identify the possible different strategy issues, we cannot solve all the possible options with only one theory.

Figure 4

Strategy topics, paradoxes, and perspectives

Strategy Topics	Strategy Paradoxes	Strategy Perspectives
Introduction		
Strategizing	Logic vs. Intuition	Analytic Reasoning vs. Holistic Reasoning
Missioning and Visioning	Profitability vs. Responsibility	Shareholder Value vs. Stakeholder Value
Business Level Strategy	Markets vs. Resources	Outside-in vs. Inside-out
Corporate Level Strategy	Responsiveness vs. Synergy	Portfolio Organization vs. Integrated Organization
Network Level Strategy	Competition vs. Cooperation	Discrete Organization vs. Embedded Organization
Strategy Formation	Deliberateness vs. Emergence	Strategic Planning vs. Strategic Incrementalism
Strategic Change	Revolution vs. Evolution	Discontinuous Renewal vs. Continuous Renewal
Strategic Innovation	Exploitation vs. Exploration	Strategic Improvement vs. Radical Rejuvenation
Industry Context	Compliance vs. Choice	Industry Dynamics vs. Industry Leadership
Organizational Context	Control vs. Chaos	Organizational Leadership vs. Organizational Dynamics
International Context	Globalization vs. Localization	Global Convergence vs. International Diversity

Note: The Eleven sets of Strategy Issues which we are going to apply. From: Strategy: An International Perspective 7th edition by Bob de Wit © 2020, Cengage Learning EMEA, ISBN 978-1-4737-6585-6

De Wit (2020) presents different ways of viewing strategic questions, and depends on us which strategy is most appropriate under our particular circumstances, he purposes 11 sets of strategy issues that together cover the field of strategic management. Resolve strategic problems implies understand these theories.

2.6.1. Profitability vs. Responsibility

Since the industrial revolution, modern corporations play a significant role in society. Economists, politicians, and common people discuss what should be the companies' real role in the community. De Wit (2020) states that in capitalist countries it is agreed that companies should find strategies to generate profit, but they also fulfill social responsibilities (p. 139). There are different points of view at this point because some people think that companies have to focus on their economic profitability at any cost within the boundaries of the law. However, other people support the idea the companies must work as social institutions which have to be in charge of social responsibilities in their surrounded communities.

Figure 5

Profitability vs. Responsibility

	<i>Shareholder value perspective</i>	<i>Stakeholder values perspective</i>
<i>Emphasis on</i>	Profitability over responsibility	Responsibility over profitability
<i>Organizations seen as</i>	Instruments	Joint ventures
<i>Organizational purpose</i>	To serve owner	To serve all parties involved
<i>Measure of success</i>	Share price and dividends (shareholder value)	Satisfaction among stakeholders
<i>Major difficulty</i>	Getting agent to pursue principal's interests	Balancing interests of various stakeholders
<i>Corporate governance through</i>	Independent outside directors with shares	Stakeholder representation
<i>Stakeholder management</i>	Means	End
<i>Social responsibility</i>	Individual, not organizational matter	Both individual and organizational
<i>Society best served by</i>	Pursuing self-interest (economic efficiency)	Pursuing joint-interests (economic symbiosis)

Note: Comparative characteristics between shareholder value perspective and stakeholder value perspective. From: Strategy: An International Perspective 7th edition, by Bob de Wit, 2020, p. 148. Copyright 2020 by Cengage Learning EMEA.

Modern society has a great demand for economic profitability, companies have to offer a higher return on the shareholder's investment than the interests that they may receive if they deposit that amount of money in the bank. Companies that are not profitable have a high risk to face strong problems to find ways to finance themselves, improve their market position, and reach their objectives.

On the other hand, the success of a company depends on their employees, suppliers, buyers, local communities, and government, for that reason companies should build a level of trust among these networks of people and them, and consider each individual's interests. In this case, organizations have to act in the interest of these networks, even if it not legal imperative or affect the profitability. If people trust in the company, they will be more connected to the organization's goals which will be shown in a sense of loyalty. Employees will prefer to develop long careers inside the organization and tend to avoid job changes, suppliers will prefer to sell to our company instead of others, local communities will help us with all the legal permissions required to expand our company.

2.6.2. Markets vs. Resources

Market adaptation is a key factor for modern organizations, companies have to understand the fast change in consumer preferences, and adapt their product offering to satisfy customers' needs. It is important to consider that in the open market there is always the possibility of new competitors' entrance which may offer similar products than us. Another factor is the changes in government regulations that affect organizations.

Figure 6

Markets vs. Resources

	<i>Outside-in perspective</i>	<i>Inside-out perspective</i>
<i>Emphasis on</i>	Markets over resources	Resources over markets
<i>Orientation</i>	Opportunity-driven (external potential)	Strength-driven (internal potential)
<i>Starting point</i>	Market demand and industry structure	Resource base and value chain
<i>Fit through</i>	Adaptation to environment	Adaptation of environment
<i>Strategic focus</i>	Attaining advantageous position	Attaining distinctive resources
<i>Strategic moves</i>	External positioning	Building resource base
<i>Tactical moves</i>	Acquiring necessary resources	External positioning
<i>Competitive weapons</i>	Bargaining power and mobility barriers	Superior resources and imitation barriers

Note: Comparative characteristics between outside-in perspective and inside-out perspective. From: Strategy: An International Perspective 7th edition, by Bob de Wit, 2020, p. 207. Copyright 2020 by Cengage Learning EMEA.

On the other hand, market adaptation is always complicated because it implies a great amount of time, and money to adapt our current products to the new customer preferences. De Wit (2020) states that managers which adopt an inside-out perspective think that companies should be built around their internal strengths (p. 203). Internal competencies and know-how are the results of years of hard work and experience which are difficult to copy and imitate and represent a competitive advantage.

2.6.3. Competition vs. Cooperation

Inter-organizational competition can be defined as the act of working against others, where two or more organizations have the same interests, but cannot share them. De Wit (2020) states that each organization has to pursue its interests and has to deal with competitors' goals, an excessive charge of suppliers' products, demands for low prices from buyers, and compensation to governments (p. 305). It implies that our organization needs to adopt a competitive posture to deal with these external factors if we want to keep our corporate objectives.

On the other hand, Inter-organizational cooperation can be defined as the act of working together with others, where two or more organizations have mutually beneficial interests. In this case, the interests of each organization are complementary and common. De Wit (2020) presents some examples such as develop new products together with suppliers, improve the service based on the buyers' feedback, increase the collaboration with local governments and cooperate with other companies of the same sector to work in new technical standards for similar products (p. 306). Trust in each other's objectives is a key factor for this kind of cooperation, to avoid possible conflicts.

Figure 7

Competition vs. Cooperation

	<i>Discrete organization perspective</i>	<i>Embedded organization perspective</i>
<i>Emphasis on</i>	Competition over cooperation	Cooperation over competition
<i>Preferred position</i>	Independence	Interdependence
<i>Environment structure</i>	Discrete organizations (atomistic)	Embedded organizations (networked)
<i>Firm boundaries</i>	Distinct and defended	Fuzzy and open
<i>Inter-organizational relations</i>	Arm's-length and transactional	Close and structural
<i>Interaction outcomes</i>	Mainly zero-sum (win/lose)	Mainly positive-sum (win-win)
<i>Interaction based on</i>	Bargaining power and calculation	Trust and reciprocity
<i>Network level strategy</i>	No	Yes
<i>Use of collaboration</i>	Temporary coalitions (tactical alliance)	Durable partnerships (strategic alliance)
<i>Collaborative arrangements</i>	Limited, well-defined, contract-based	Broad, open, relationship-based

Note: Comparative characteristics between discrete organization perspective and embedded organization perspective. From: Strategy: An International Perspective 7th edition, by Bob de Wit, 2020, p. 314. Copyright 2020 by Cengage Learning EMEA.

We may consider also a third option, a combination of cooperation and competition which was applied for many companies before, which cooperate to reduce costs in some markets and compete in others. De Wit (2020) states that there are no eternal allies and perpetual enemies (p.316). Positions in business can change fast, therefore a correct decision-making process is important to forecast the next competitor's movement.

3. Chapter 3: Strategic Planning for a small organic Quinoa export company from Peru to Germany.

3.1. Company Situation

This is a family-owned business project which plans to run a new agricultural export company in the region of Huánuco in the Peruvian highlands at an altitude of 3400 meters above mean sea level, the organization will use 23 hectares of fertile lands which belong to the family, these lands have not been exploited. The company will also include regional small-scale producers, and hire people from the town of Baños, closed to the agricultural lands, for Quinoa planting, and harvesting.

3.1.1. Objectives of the Organization.

Despite the current situation, our organization has ambitious objectives which are the reasons for our company's existence, but reach these goals implies following certain guidelines which are summarized in the vision, mission, values, and code of ethics of the company.

3.1.1.1. The vision of the organization.

To be one of the leading organic Peruvian Quinoa exporters to Germany by the year 2030, the growth will include all our stakeholders, paying special attention to the development of the surrounded rural communities.

3.1.1.2. The mission of the organization.

To export organic Peruvian Quinoa to our customers in Germany, using the most advanced sowing, harvesting, and processing technology. The compromises with our customers are compliance with international quality standards, well-time shipments, and a transparent business approach. Our organization has a strong corporate social responsibility with the development of the surrounded rural communities and local farmers. We consider that human capital is the most valuable asset of our company.

3.1.1.3. Values of the organization.

Our organization should be recognized by the local community, suppliers, customers, competitors, and employees, therefore we think that the most suitable values for our organization are:

- Quality.
- Respect.
- Social Responsibility.
- Humility.

The quality of our products should be recognized by the customers. Our organization will respect the local communities, their traditions, and customs, as well as, the rights of our employees. Social responsibility inspires us to work and cooperate with the local peasants, in their needs and desires for the benefit of society. Our organization will treat everyone with humility, everyone has the same rights and deserve respect.

3.1.1.4. Code of Ethics of the organization.

Our organization should follow certain good practices, which help it to reach its objectives.

- We maintain the climate requirements to preserve the Quinoa nutritional values, as well as the norms required by the international standard for Quinoa.
- We respect our compromises, this enables us to achieve long-term partnerships with the local farmers and customers alike.
- We are concern about the development of the local communities and local farmers.
- We consider each element involved in the business as an important part of our organization, from the farmer who harvests the Quinoa to the final customer.

Organization's members who violate the code of ethics will receive sanctions for unethical conduct, there will be a range of sanctions depending on how grave the misconduct is. It will serve as a tool to educate

3.1.2. Factors of Production

As we know, factors of production are the inputs needed for the creation of goods or services. The factors of production for our Quinoa export company are grouped in the categories of land, labor, capital, and entrepreneurship.

Table 8

Factors of Production

Factors of Production	
Land	<ul style="list-style-type: none"> • 23 hectares of fertile lands • Community lands • Water sources from near rivers
Labor	<ul style="list-style-type: none"> • Skilled agricultural workers (during planting and harvesting periods) • Machine operators • Agricultural, civil, and hydraulic Engineers • Farm supervisors • Computer Engineer • Accountant • Manager
Capital	<ul style="list-style-type: none"> • Buildings
	<ul style="list-style-type: none"> • Food processing facilities • Warehouses • Administrative offices
	<ul style="list-style-type: none"> • Machines
	<ul style="list-style-type: none"> • Agricultural machinery (farm tractors) • Quinoa seed packing machine • Vehicles (Trucks, autos) • Electronic devices (computers, cellphones, printers)
	<ul style="list-style-type: none"> • Tools
	<ul style="list-style-type: none"> • Agricultural tools (sickles, spades, pickaxes) • Irrigation system implements • Organic fertilizers and pesticides
Entrepreneurship	<ul style="list-style-type: none"> • Family members and community members

The proper identification of our organization's resources will allow us to discover the strengths and weaknesses, and how we should allocate our resources.

3.1.3. Product Line

In the beginning, the company will export whole grain Quinoa in packs of 500 grams to Germany, because this presentation was introduced to the German market before, and the local customers had a considerable acceptance. After this first phase, the firm plans to expand its portfolio into:

- ✓ Quinoa chocolate bars (with Peruvian Cacao).
- ✓ Quinoa flakes.
- ✓ Quinoa chips.
- ✓ Quinoa cereal (with Muesli, nuts, coconut, or dried fruits).
- ✓ Quinoa energy bars.
- ✓ Quinoa powder.

We have to consider that a wide range of products increases the chances of satisfying more kind of customers; however, develop each product line also implies more time, technology, and investment.

3.2. Selected Competitors Situation

Three main international trading companies in Germany are specialized in the import and export of certified organic Quinoa in this country. These companies buy Quinoa from Peruvian suppliers which produce it by themselves or buy this product from other regional producers.

Table 9

Potential Competitors

German trading company	Headquarters	Peruvian Supplier
Delphi Organic GmbH	Münster	BROLEM Company S.A.C.
VM Trading GmbH	Wörnitz	Globe Natural International S.A.
		Villa Andina S.A.C.
Ziegler & Co. GmbH	Wunsiedel	Cooperativa Agro Industrial Cabana LTDA
		Wiraccocha del Peru S.A.C

Based on the gathered information of each competitor, we identify that the last three suppliers offer more transparent financial information, and offer similar products in comparison to our organization, therefore we choose the companies Globe Natural International, Villa Andina, and Wiraccocha del Peru to start with the Competitors Situation Analysis.

Each company has its Quinoa crops in different geographic regions which have different agricultural potential based on climatic and physical factors, for instance, our Organization produces Quinoa in the region of Huanuco in the Central Andes of Peru, Villa Andina obtains its products from Cajamarca in the north highlands, Wiraccocha has

its headquarters in Ayacucho and Apurimac in the south region, finally Globe Natural has its crops in Puno which is located on the shore of Lake Titicaca in southeastern Peru.

3.2.1. Selected Evaluation Factors

Technical and Economic factors will be established which allow us to evaluate each one of the competitors, these factors will be weighted according to the selected competitors' collected data. The range of the intervals will be made in the following way:

Table 10

Collected competitors' score for Factor "X"

Factor X	Score
Our Company	a
Competitor 01	b
Competitor 02	c
Competitor 03	d

Note: We consider "a" as the maximum value, and "d" as the minimum value, it may change depending on each criterion.

$$\text{Total Range} = [a - d]$$

$$\text{Interval Range} = \frac{[a-d]}{4}$$

Table 11

Weighting Scores for each Factor

Factor X		
Very High	$[d + 3 * \frac{[a-d]}{4} ; a [$	4
High	$[d + 2 * \frac{[a-d]}{4} ; d + 3 * \frac{[a-d]}{4} [$	3
Moderate	$[d + \frac{[a-d]}{4} ; d + 2 * \frac{[a-d]}{4} [$	2
Low	$[d ; d + \frac{[a-d]}{4} [$	1

We choose nine critical success factors which will determine our organization's success in this sector. The factors to evaluate are the following:

3.2.1.1. Yield per Hectare

It is a measurement of the amount of Quinoa production harvested per unit of land area. Being able to estimate our organization's and our competitor's crop yields allows us to

see how well we are competing, we have to consider that farm profitability is based on the amount of food that it produces, therefore if farm's yield is high we will have better chances to make more money.

Table 12

Competitors' Yield per Hectare

Company	Yield per Hectare (kg/ha)
Wiracocha del Peru S.A.C	1606
Globe Natural International S.A.	1123
Villa Andina S.A.C.	1113
Our Organization	904

Note: Yield per hectare in the regions where the companies are located. From: "Huánuco, harvested area, production, yields and price in farmlands, monitored by DGESEP", by Ministerio de Agricultura y Riego (MINAGRI), 2018, Plan Nacional de Cultivos (Campaña Agrícola 2018-2019), p.45 (https://www.agromoquegua.gob.pe/doc/PLAN_NACIONAL_DE_CULTIVOS_2018-2019.pdf) (elaborated by the author).

Table 13

Weighting Scores for Yield per Hectare

Yield per Hectare		
Very High	[1430.5 ; 1606 [kg/ha	4
High	[1255 ; 1430.5 [kg/ha	3
Moderate	[1079.5 ; 1255 [kg/ha	2
Low	[904 ; 1079.5 [kg/ha	1

3.2.1.2. Arable Land Availability

It is a measurement of the amount of land that can be used for growing crops, it is absolutely important for Quinoa production. This factor is based on each region's potentially arable land availability, as we know each company has its headquarters in different geographic regions.

Table 14

Competitors' arable land availability

Company	Area (in thousand hectares)
Our Organization	536.5
Villa Andina S.A.C.	522.67
Wiracocha del Peru S.A.C	504.01
Globe Natural International S.A.	405.73

Note: Arable land availability in the regions where the companies are located. From: "Superficie Agrícola", by National Institute of Statistics and Informatics (INEI), 2014, Atlas Agropecuario IV Censo Nacional Agropecuario 2012, p. 20 (https://www.inei.gob.pe/media/MenuRecursivo/publicaciones_digitales/Est/Lib1198/libro.pdf) (Elaborated by the author).

Table 15

Weighting Scores for Arable Land Availability

Area (in thousand hectares)		
Very High	[503.8 ; 536.5 [	4
High	[471.1 ; 503.8 [	3
Moderate	[438.4 ; 471.1 [	2
Low	[405.7 ; 438.4 [	1

3.2.1.3. Water Availability

It is a measurement of the deposition of water to the regions' surface in the form of rain, snow, hail, or ice. Quinoa is grown in areas where the annual precipitation ranges from 300 mm to 1000 mm, it is considered the optimal precipitation ranges from 500 mm to 800 mm. For that reason, precipitation can determine how fast Quinoa will grow from seed and when it will ready for harvesting

Table 16

Competitors' Water Availability

Company	Annual Precipitation 2017 (mm/year)
Globe Natural International S.A.	868.9
Villa Andina S.A.C.	767.5
Wiracocha del Peru S.A.C	742.65
Our Organization	497.5

Note: Annual precipitation in the regions where the companies are located. From: "Precipitación Total Anual, según departamento, 2001-2017", by Instituto Nacional de Estadística e Informática (INEI), 2018, Peru Anuario de Estadísticas Ambientales 2018, p. 58 (<https://sinia.minam.gob.pe/sites/default/files/archivos/public/docs/anuario-inei-2018.pdf>). (Elaborated by the author).

Table 17

Weighting Scores for Water Availability

Annual Precipitation 2017 (mm/year)		
Very High	[500 ; 800]	4
High	[300 ; 500 [] 800;1000]	3
Low	Less than 300	1
Low	More than 1000	1

3.2.1.4. Product Range

It is an evaluation of the number of different types of Quinoa products that each competitor can offer, each consumer has different preferences, therefore a wide product range increases the opportunities of satisfying more potential customers.

Table 18

Competitors' Product Range

Company	Product Range
Wiraccocha del Peru S.A.C (a)	Grains, Precooked, Flakes, Flour, Pop, Gelatinized, and Sprout Powder (7)
Globe Natural International S.A. (b)	Grains, Precooked, Flakes, Powder, and Puffed (5)
Villa Andina S.A.C. (c)	Grains, Flakes, Powder, Toasted, and Sprouted (5)
Our Organization	Grains (1)

Note: Competitors' products. From:

(a) Wiraccocha Healthy Foods. (2020). Quinoa Derivates. (<https://wiraccocha.com.pe/index.php/quinoa-bulk-en/>)

(b) Globe Natural. (2016). Superfoods. (<http://www.globenatural.com/natural-foods>)

(c) Villa Andina (2021). Andean Grains. (<https://www.villaandina.com/our-products/andean-grains>)

(Elaborated by the author).

Table 19

Weighting Scores for Product Range

Product Range (number of products)		
Very High	[5.5 ; 7 [	4
High	[4 ; 5.5 [	3
Moderate	[2.5 ; 4 [	2
Low	[1 ; 2.5 [	1

3.2.1.5. Global Market Participation

It is an evaluation of the number of countries that each competitor provides Quinoa, having access to more markets will help to diversify market opportunities and introduce products in other parts of the world.

Table 20

Competitors' Global Market Participation

Company	Number of Markets
Globe Natural International S.A. (a)	23
Wiracocha del Peru S.A.C (b)	22
Villa Andina S.A.C. (c)	20
Our Organization	1

Note: Competitors' international markets. From:

(a) SIICEX (2021, April). Peruvian Exporters: GLOBENATURAL INTERNACIONAL S.A. (https://www.siicex.gob.pe/siicex/porta15ES.asp?_portletid_=SDirectorioEmpresa&_page_=241.22800&scriptdo=&pc_control=pc_buscar&pc_pais=0&pc_tipoempresa=1750&pc_sector=243&pc_subsector=0&pc_region=0&txtrazonsocial=20382056681&psubpartida=&psubpartidauno=&txtproducto=&txtproductouno=&pc_tipobusqueda=0#anclafecha)

(b) SIICEX (2021, April). Peruvian Exporters: SOLUCIONES AVANZADAS EN AGRONEGOCIOS - WIRACCOCHA DEL PERU" S.A.C. (https://www.siicex.gob.pe/siicex/porta15ES.asp?_portletid_=SDirectorioEmpresa&_page_=241.22800&scriptdo=&pc_control=pc_buscar&pc_pais=0&pc_tipoempresa=1750&pc_sector=243&pc_subsector=0&pc_region=0&txtrazonsocial=wiracocha+del+peru&psubpartida=&psubpartidauno=&txtproducto=&txtproductouno=&pc_tipobusqueda=0&pc_empresa=#anclafecha)

(c) SIICEX (2021, April). Peruvian Exporters: VILLA ANDINA SOCIEDAD ANONIMA CERRADA (https://www.siicex.gob.pe/siicex/porta15ES.asp?_portletid_=SDirectorioEmpresa&_page_=241.22800&scriptdo=&pc_control=pc_buscar&pc_pais=0&pc_tipoempresa=1750&pc_sector=243&pc_subsector=0&pc_region=0&txtrazonsocial=villa+andina&psubpartida=&psubpartidauno=&txtproducto=&txtproductouno=&pc_tipobusqueda=0#anclafecha)
(Elaborated by the author).

Table 21

Weighting Scores for Global Market Participation

Number of Markets		
Very High	[17.5 ; 23]	4
High	[12 ; 17.5 [	3
Moderate	[6.50 ; 12 [	2
Low	[1 ; 6.50 [	1

3.2.1.6. Agricultural Export Business Experience

It is a measurement of each competitor's number of years in the agricultural export sector, previous exporting experience helps to reduce entry costs for companies in international markets and allows organizations to make better decisions before the introduction of a new product to a new market.

Table 22

Competitors' Agricultural Export Business Experience

Company	Number of Years
Globe Natural International S.A. (a)	23
Villa Andina S.A.C. (b)	14
Wiracocha del Peru S.A.C (c)	13
Our Organization	1

Note: Competitors' number of years in the business. From:

(a) UniversidadPeru (2021). Globenatural Internacional S.A. (<https://www.universidadperu.com/empresas/globenatural-internacional.php>)

(b) UniversidadPeru (2021). Villa Andina S.A.C. (<https://www.universidadperu.com/empresas/villa-andina.php>)

(c) UniversidadPeru (2021). Wiracocha del Peru (<https://www.universidadperu.com/empresas/soluciones-avanzadas-en-agronegocios-wiracocha-del-peru.php>) (Elaborated by the author).

Table 23

Weighting Scores for Agricultural Export Business Experience

Number of Years		
Very High	[17.5 ; 23]	4
High	[12 ; 17.5]	3
Moderate	[6.50 ; 12]	2
Low	[1 ; 6.50]	1

3.2.1.7. The daily wage for farmworkers

It is a measurement of the daily wage for farmworkers in 2018 in each region where are located the competitors' Quinoa crops. The differences in the daily wages among different regions influence the competitors' final production cost, a company has a strong advantage when it can produce Quinoa at a lower cost than its competitors.

Table 24

Competitors' Daily Wage for farmworkers

Company	Daily Wage in 2018 (soles/day)
Wiracocha del Peru S.A.C	40.7
Globe Natural International S.A.	39.5
Our Organization	33.6
Villa Andina S.A.C.	32.1

Note: Daily Wage in regions where the companies are located. From: "Perú: Costo de Jornal Agrícola por año según departamento (soles por día)" by Ministerio de Agricultura y Riego (MINAGRI), 2019, Plan Nacional de Cultivos Campaña Agrícola 2019-2020, p. 73(https://cdn.www.gob.pe/uploads/document/file/471867/Plan_Nacional_de_Cultivos_2019_2020b.pdf) (Elaborated by the author).

Table 25

Weighting Scores for Daily Wage for farmworkers

Daily Wage in 2018		
Very High	[38.55 ; 40.7]	1
High	[36.4 ; 38.55 [	2
Moderate	[34.25 ; 36.4 [	3
Low	[32.1 ; 34.25 [	4

3.2.1.8. Profitability

It is a measurement of each competitor's amount of profit. Profitability shows an organization's ability to make a profit, high profitability means that a company can effectively control its costs. This is an important incentive to encourage people to invest in the company and expand the business.

Table 26

Competitors' Profitability

Company	Profitability (Million Dollars)
Villa Andina S.A.C. (a)	6
Globe Natural International S.A. (b)	4
Wiraccocha del Peru S.A.C (c)	3
Our Organization	less than 1

Note: Competitors' profitability. From:

(a) Zoominfo (2021). Globe Natural (<https://www.zoominfo.com/c/globe-natural/444009247>)

(b) Zoominfo (2021). Villa Andina (<https://www.zoominfo.com/c/villa-andina/346354986>)

(c) Zoominfo (2021). Wiraccocha (<https://www.zoominfo.com/c/wiraccocha/453644789>) (Elaborated by the author).

Table 27

Weighting Scores for Profitability

Profitability (Million Dollars)		
Very High	[4.5 ; 6]	4
High	[3 ; 4.5 [	3
Moderate	[1.50 ; 3 [	2
Low	[0 ; 1.5 [	1

3.2.1.9. International Organic Certifications

It is a measurement of each competitor's number of international organic certifications. These certifications assure consumers that Quinoa was produced according to organic production standards. Each country has different standards, therefore when a company

has more organic certifications it increases its chances to enter more international markets.

Table 28

Competitors' Number of Organic Certifications

Company	Number of Organic Certifications
Wiraccocha del Peru S.A.C (a)	15
Villa Andina S.A.C. (b)	10
Globe Natural International S.A. (c)	6
Our Organization	less than 4

Note: Competitors' organic certifications. From:

(a) Wiraccocha (2020). Nuestro Certificados (<https://wiraccocha.com.pe/index.php/es/home-es-2/>)

(b) Villa Andina (2021). Certifications (<https://www.villaandina.com/>)

(c) Globenatural (2016). Superfoods (<http://www.globenatural.com/natural-foods>) (Elaborated by the author).

Table 29

Weighting Scores for Number of Organic Certifications

Number of Organic Certifications		
Very High	[11 ; 15]	4
High	[8 ; 11 [	3
Moderate	[4 ; 8 [	2
Low	[0 ; 4 [	1

3.2.2. The Competitive Profile Matrix (CPM)

Considering that the Competitive Profile Matrix has a weight range from 0.0 (low importance) to 1.0 (high importance), we assign a weight to each critical success factor. As we know the weight shows the importance of that factor in the competitors' and our organization's success. We consider product range, the daily wage for farmworkers, and profitability (factors 4, 7, and 8) as low important factors because companies can improve or manage these tasks easily.

For instance, a poor product range can be increased by conducting surveys to customers for products they want or making slight changes to our existing products. The daily wage for farmworkers can be managed by outsourcing some activities, automating work processes, picking the most productive employees, or setting an effective wage budget. Profitability is always a problem for most organizations, however, there are common strategies that managers can use to cut costs such as improve operating procedures, maximize our cash flow, or optimize management costs.

We assign a moderate priority to global market participation and agricultural export business experience (factors 5 and 6) because a company needs to invest a lot of money and time to introduce its products in new markets, furthermore gain business experience in a new sector may take many years or even decades. We consider crop yield, arable

land availability, and water availability (factors 1, 2, and 3) as high priority factors because they influence directly the raw material production and Quinoa quality. Finally, getting an international organic certification (factor 9) is a very high priority factor because it is a requirement to enter the most selective markets around the world, but it is not easy because an organic farm must follow certain regulations, the owner has to pay high fees every year, and convert a conventional farm into an organic farm may take until three years.

Table 30

The Competitive Profile Matrix (CPM) for Organic Quinoa Export Company

The Competitive Profile Matrix (CPM) for Organic Quinoa Export Company										
			Our Organization		Globe Natural International		Villa Andina		Wiracocha del Peru	
Factor		Weight	Rating	Score	Rating	Score	Rating	Score	Rating	Score
1	Crop Yield	0.15	1	0.15	2	0.3	2	0.3	4	0.6
2	Arable Land Availability	0.15	4	0.6	1	0.15	4	0.6	4	0.6
3	Water Availability	0.15	3	0.45	3	0.45	4	0.6	4	0.6
4	Product Range	0.05	1	0.05	3	0.15	3	0.15	4	0.2
5	Global Market Participation	0.1	1	0.1	4	0.4	4	0.4	4	0.4
6	Agricultural Export Business Experience	0.1	1	0.1	4	0.4	3	0.3	3	0.3
7	Daily wage for farm workers	0.05	4	0.2	1	0.05	4	0.2	1	0.05
8	Profitability	0.05	1	0.05	3	0.15	4	0.2	3	0.15
9	International Organic Certifications	0.2	1	0.2	2	0.4	3	0.6	4	0.8
Total		1	-	1.9	-	2.45	-	3.35	-	3.7

Our organization obtained a low value which shows that it currently does not have strengths that allow it to position itself adequately in the sector. We have to consider that our company is new in comparison with our competitors which have more than ten years in the market each one. However, our critical success factors will help us to take the best strategies to compete. Our company has to work strongly on factors 1, 4, 5, 6, 8, and 9 because they represent internal weaknesses.

3.3. Customer Market Situation of the Organization

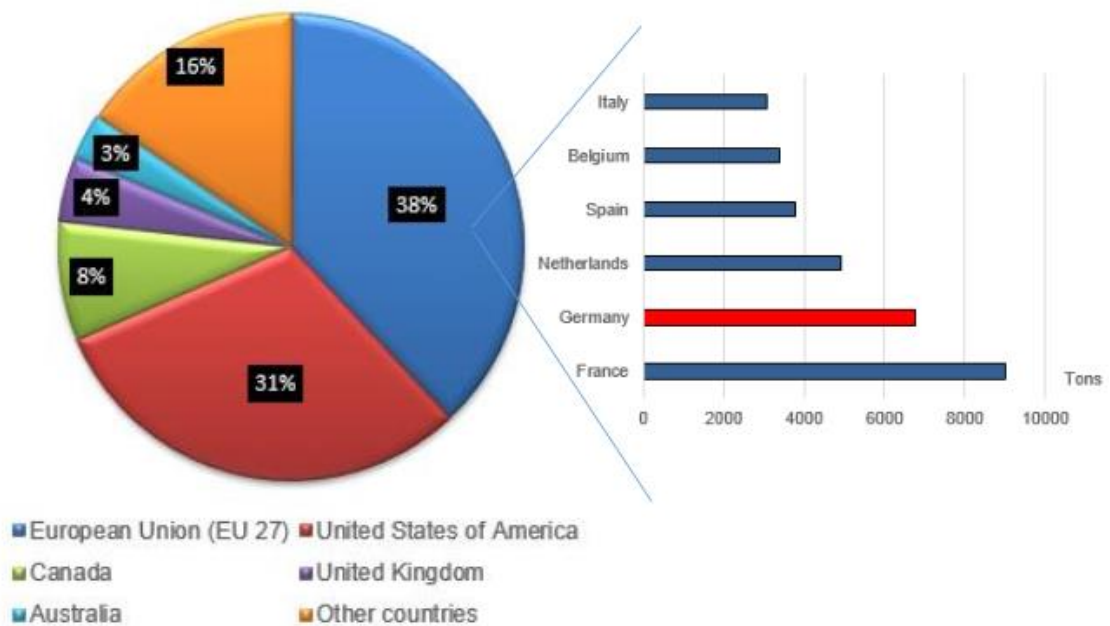
We need to know about the size, growth, and trends of the Quinoa market in Germany, and what critical problems will affect our company to sell our products in this country. Identifying the market situation will allow us to forecast a possible customer response. We have to determine the best market segments to enter, those which may present the greatest opportunities. For that reason, we have to divide the whole market into small and homogeneous segments which share common marketable characteristics. The segment's members should have a similar reaction to marketing tactics. This process is also known as target markets and market segmentation.

3.3.1. Geographic Segmentation

The European Union has become the world's biggest importer of Quinoa in the world, the total amount imported in 2019 was almost 40 thousand tonnes (Trademap, 2021). In the western part of the continent, Quinoa has become a common grain, and demand for healthier food increases its consumption. Nowadays Quinoa is no longer a gourmet food and it is sold by stores, this grain is widely recognized by a great percentage of customers. In 2019 Germany became the second biggest importer of Quinoa in the European Union, the country imported almost 8 thousand tonnes (Trademap, 2021). High incomes, a strong economy, and the rising interest in superfoods of the German consumers were key factors for increasing demand in the last years.

Figure 8

Main Importers of Quinoa in the World and the European Union in 2019



Note: Main Importers of Quinoa in 2019. From: ITC Trade Map (2019). Product: 100850 Quinoa "Chenopodium quinoa" (https://www.trademap.org/Country_SelProduct_TS.aspx?nvpm=1%7c%7c42%7c%7c%7c100850%7c%7c%7c6%7c1%7c1%7c1%7c2%7c1%7c3%7c2%7c1%7c1) (elaborated by the author).

Despite these interesting facts, Quinoa has not yet been fully adopted in this market, a fast visit to the main retailers in the city of Bremen in north Germany shows us that Quinoa is still not well-known for most of the customers, and just two grocery store chains offer this product in different presentations in this place. The German market still has growth potential for Quinoa, and marketing campaigns may help to reach new consumers.

Figure 9

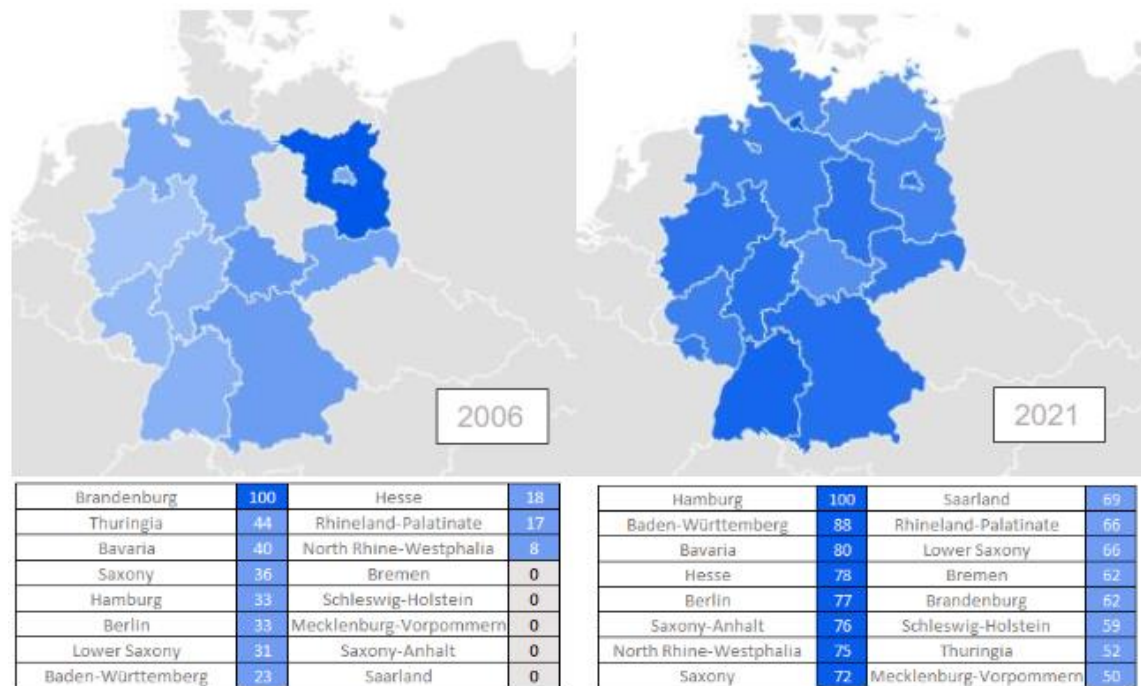
Existing Quinoa products in German Markets (Bremen).



Note: Whole grain Quinoa in packs of 500 grams, and Quinoa Pops of 200 grams presentation found in ALDI Bremen-Neustadt.

Figure 10

Consumer Interest in Quinoa by Region in Germany in 2006 and 2021



Note: The numbers (0-100) describe the search interest of a specific term in a specific region and time. A value of 100 represents the peak popularity of the term “Quinoa”, a value of 50 shows that the term is half popular, and a value of 0 suggests that the number of searches for that term is so low. From: Google Trends (2021). Interest by subregion in 2006 (<https://trends.google.com/trends/explore?date=2006-01-01%202006-12-31&geo=DE&q=%2Fm%2F0f07x>). Google Trends (2021). Interest by subregion in 2021 (<https://trends.google.com/trends/explore?date=2021-01-01%202021-12-31&geo=DE&q=%2Fm%2F0f07x>) (elaborated by the author).

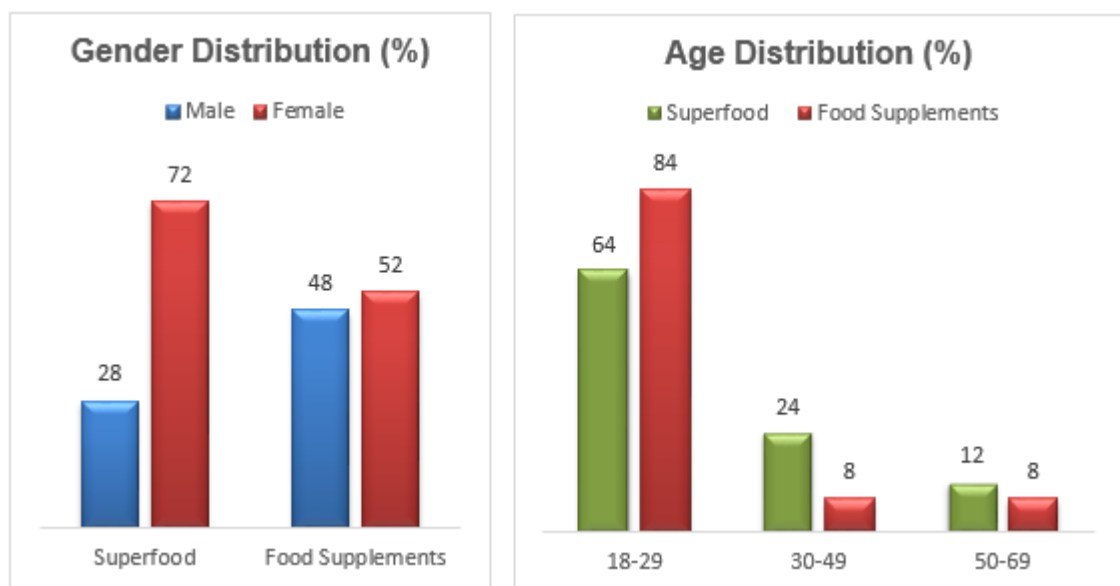
Google Trends is a powerful tool, its giant search volume index based on keyword-related data, and geographical information allows us to observe how frequently a specific word is entered into Google's search engine in a particular period, and in a particular region. Now it is possible to discover how much interest is being shown towards Quinoa in the different regions of Germany. It is possible to see that in 2006 Quinoa and its nutritional properties were not popularized among German consumers, even more, this superfood was not known to many important cities such as Bremen. The situation has strongly changed in recent years, by 2021 Quinoa is known in all the regions, there is familiarity with Quinoa because of previous marketing efforts of the existing Quinoa brands, German consumers already know what Quinoa is, how it tastes, and how it can be prepared. We can observe that the product has an important presence in Hamburg, Baden-Wurttemberg, and Bavaria; however, this product has still growth potential in the east part of the country, as well as, Saarland, Rhineland-Palatinate, Lower Saxony, and Bremen.

3.3.2. Demographic Segmentation

Schweiger (2016) developed an interesting work about motives and reasons of consumption of Superfood, and nutritional supplements in German-speaking countries among 50 customers between December 2016 and February 2017, Quinoa was included in the group of Superfood. Based on her Master Thesis results we obtained useful information which allows us to develop our market segmentation.

Figure 11

Gender Distribution and Age Distribution among Superfood Consumers



Note: Gender and age of the respondents from both consumer groups in comparison. From: "Results", by Franziska Schweiger, 2017, *Beweggründe und Motive zum Konsum von Superfood und Nahrungsergänzungsmitteln*, p. 60 (https://abstracts.boku.ac.at/download.php?dataset_id=17055&property_id=107) (translated by the author).

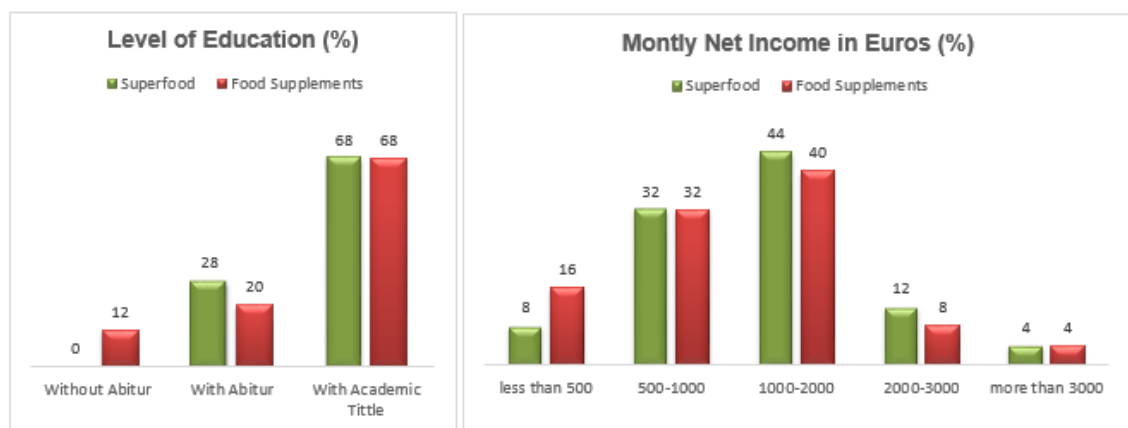
First of all, we found that 72 percent of Superfood consumers are women, which shows us that women tend to invest more in healthy food than men, they also have better knowledge of nutrition. We have to consider that most of the time women tend to overestimate their weight and perceive themselves as needing to lose weight therefore they give great importance to healthy habits.

Another interesting fact is that 64 percent of the Superfood consumers are between 18 and 29 years old which demonstrates that younger consumers are more health-conscious than previous generations. There is a tendency among young people for healthy food consumption, they are also willing to pay more money for high-quality food. New generations prefer fresh and less processed ingredients to prepare their meals.

There is a strong connection between the consumer's level of education and consumption of Superfoods because 68 percent of the consumers have an academic title. According to a publication of the Public Library of Science in 2013, adults with a low level of education tend to eat more amount of unhealthy foods than adults with a higher level of education. A possible explanation is that a considerable percentage of adults with lower levels of education have manual labor jobs and are more physically active which demands high energy consumption. We have to also consider that educated people may have access to more useful information, thus they can understand better their health needs.

Figure 12

Level of Education and Net Income in Euros among Super Food Consumers



Note: Level of Education and Monthly Income of the respondents from both consumer groups in comparison. From: "Results", by Franziska Schweiger, 2017, *Beweggründe und Motive zum Konsum von Superfood und Nahrungsergänzungsmitteln*, pp. 61-62 (https://abstracts.boku.ac.at/download.php?dataset_id=17055&property_id=107) (translated by the author).

Income has a strong effect on healthy eating habits, but it is also influenced by the age of buyers, 32 percent of the consumers earn between 500 to 1000 euros per month, and 44 percent of the consumers earn between 1000 to 2000 euros per month, both segments conform the majority of Superfood consumers. It has sense because people with higher salaries can purchase healthy foods which tend to be more expensive; however, the consumer's age also influences the income factor because the percentage of people who earn more than 3000 euros which most of the time have more years of

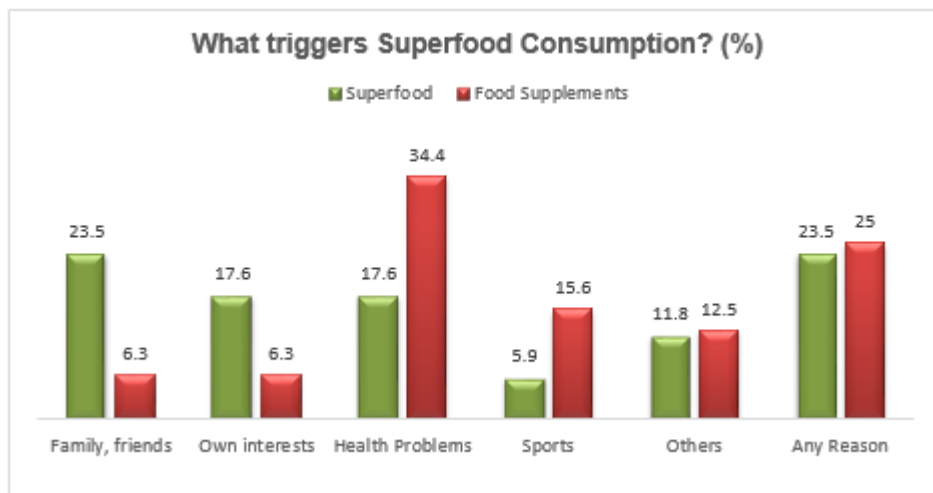
work experience and are older do not tend to spend too much money in Superfood, despite they have the resources to do that.

3.3.3. Psychographic Segmentation

An interesting fact is that 23.5 percent of the Superfood consumers were influenced by family or friends before consuming this kind of product; social influence has a strong impact on eating behavior, we have to consider that attitudes and habits are developed through the interaction with others. Another fact, 17.6 percent of the buyers purchase this kind of product because they have previous illnesses, and want to improve their health conditions, as we know, diseases such as type II diabetes, heart disease stroke, obesity, and cancer are closed related to inadequate nutrition. Other factors like “own interests” which have a considerable percentage are more difficult to explain and are more linked to personality and values.

Figure 13

Factors that trigger Superfood and Food Supplements Consumption among consumers



Note: Level of Education and Monthly Income of the respondents from both consumer groups in comparison. From: “Results”, by Franziska Schweiger, 2017, *Beweggründe und Motive zum Konsum von Superfood und Nahrungsergänzungsmitteln*, p. 81 (https://abstracts.boku.ac.at/download.php?dataset_id=17055&property_id=107) (translated by the author).

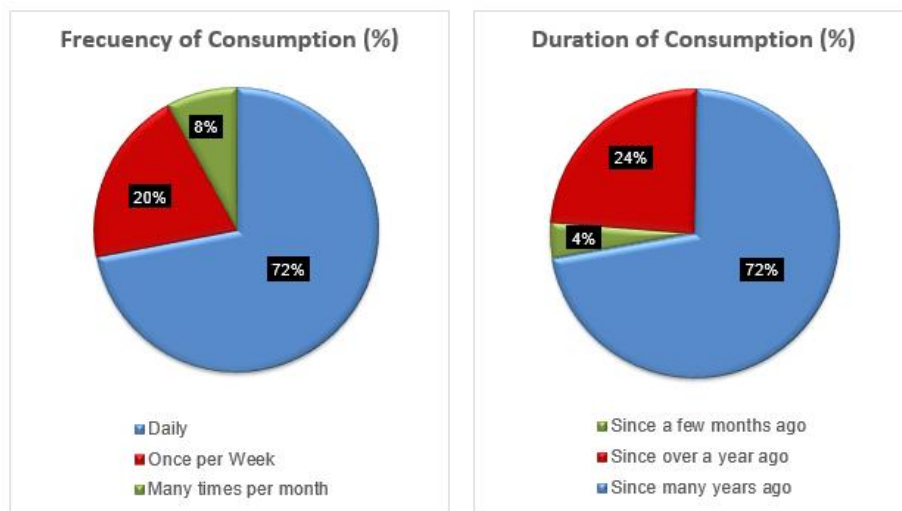
Sports with just 5.9 percent appears like a secondary factor, therefore we may assume that people who are professional athletes or practice sports as a free time activity do not see Superfood as a way to increase their physical performance, it may be a potential new market for this kind of products. Marketing campaigns that focus on the relation between Superfood and athletic performance should increase the total amount of sales of Superfoods in this market segment.

3.3.4. Behavioral Segmentation

A great percentage of Superfood Consumers (72 percent) tend to eat this kind of product daily, and the same percentage do it for many years. These numbers show us that healthy eating habits have been built up over a lifetime, it also indicates these customers have a strong sense of loyalty. They continually purchase Superfoods, because they are familiar and happy with them, and are not considering other options. There is an important percentage of customers (20 percent) who consume Superfoods once per week, and 24 percent who consume this product since over a year ago, they are potentially attractive users who may be willing to increase their healthy food consumption, implementing different marketing initiatives will allow us to attract them.

Figure 14

Frequency of Consumption and Duration of Consumption among Superfood Consumers



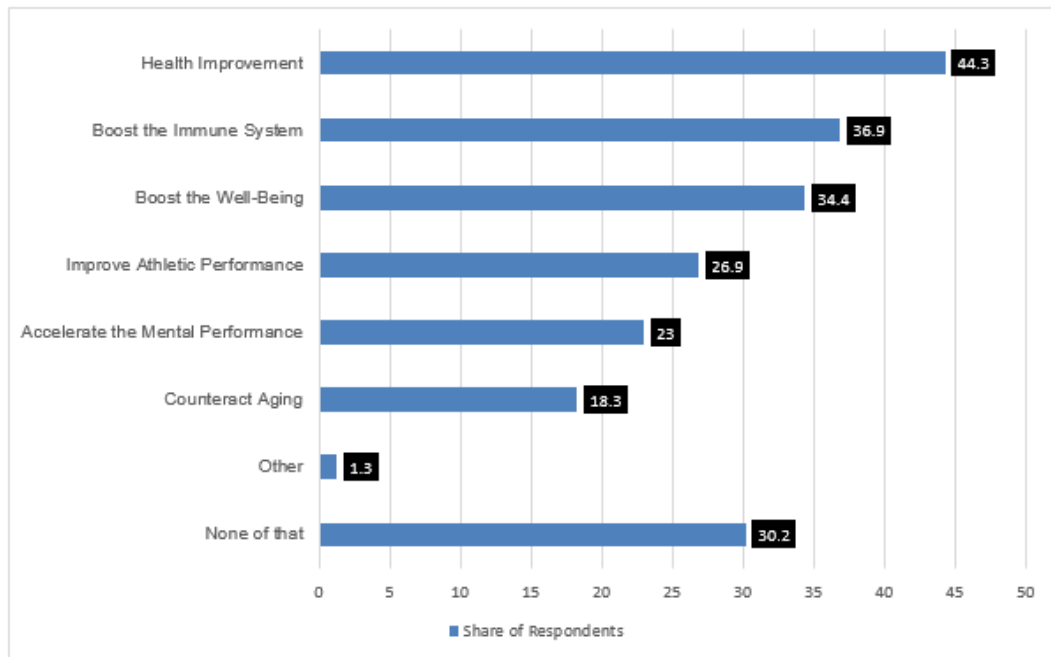
Note: Frequency and duration of consumption of the respondents. From: "Results", by Franziska Schweiger, 2017, *Beweggründe und Motive zum Konsum von Superfood und Nahrungsergänzungsmitteln*, pp. 75-77 (https://abstracts.boku.ac.at/download.php?dataset_id=17055&property_id=107) (translated by the author).

A survey released in 2017, among 1035 German-speaking respondents between 18 and 35 years about the reasons to consume Superfoods, shows that health improvement (44.3 percent), boost the immune system (36.9 percent), and boost the well-being (34.4 percent) are the main reasons to consume this kind of products. Based on it, Superfood consumers place a higher value on benefits related to health over others which have sense because the main benefit of these products is their high vitamin and mineral content.

Another fact, 26.9 percent, and 23 percent of the buyers are more concerned in improving their athletic, and mental performance respectively, this is an interesting segment made up probably by sports lovers and students who were still not satisfied. Counter aging appears with 18.3 percent as another interesting fact, as we know diet also affects our external appearance, foods high in calories necessarily will worsen skin health.

Figure 15

Reasons for buying Superfoods among Consumers in Germany (%)



Note: Reasons for buying Superfoods among Consumers in Germany, Survey Period June 23 to June 27, 2017, Number of respondents 1035, Age group 18-65 years, Type of Survey Online, Multiple answers were possible. From: "Umfrage zu den Kaufgründen für Superfoods in Deutschland 2017" by Alexander Kunst (<https://de.statista.com/statistik/daten/studie/722194/umfrage/umfrage-zu-den-kaufgruenden-fuer-superfoods-in-deutschland/>). Copyright 2021 by Statista. (translated by the author).

As we can see in this study there are many reasons for buying Superfoods among German consumers, every reason represents a target audience, and even more, within that target audience may be smaller subgroups of people with certain desires, needs, and preferences. These niches represent potential new clients for new Quinoa presentations.

3.4. Environmental Situation of the organization.

We use the PESTLE Analysis to analyze the key external factors (Political, Economic, Social, Technological, and Environmental) which influence our organization from the outside. It is important to understand how they impact our company to understand possible different scenarios, and use them to guide us in a correct strategic decision-making process.

3.4.1. Politic Forces(P)

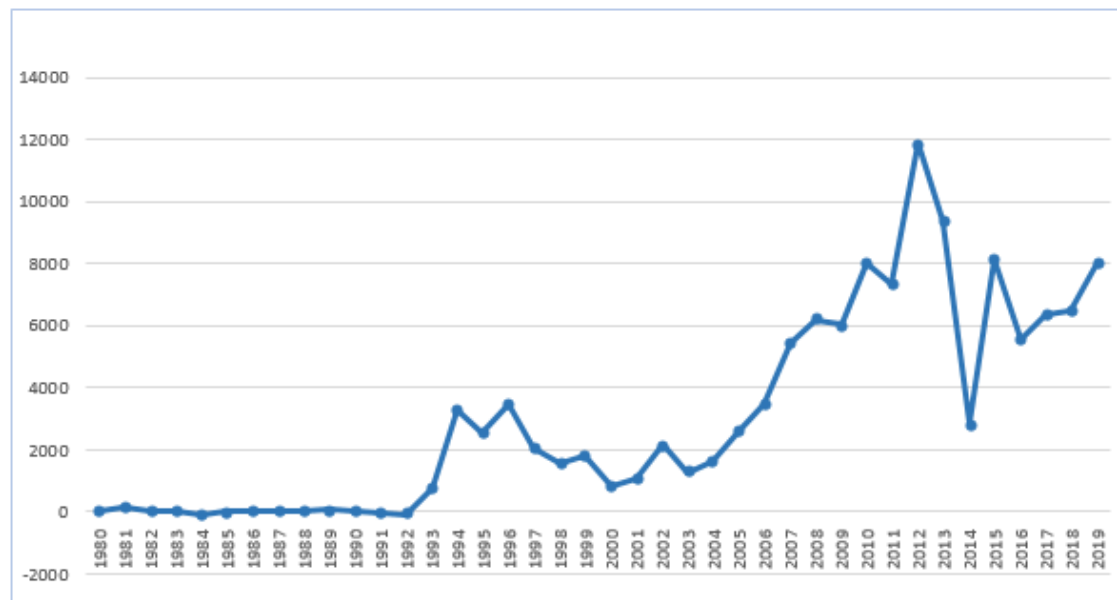
3.4.1.1. Political Stability

Despite the 2017-2021 political crisis, the Republic of Peru has kept its democratic system since 1980 and its current constitution since 1993. The government, as in most

Western democracies, is composed of three branches (executive, judicial, and legislative).

Figure 16

Net Foreign Direct Investment in Peru (million US \$)



Note: Net foreign direct Investment in Peru (1980-2019). From: “Inversión Directa Extranjera Neta”, by Banco Central de Reserva del Perú, 2021, BCRPData (<https://estadisticas.bcrp.gob.pe/estadisticas/series/anuales/resultados/PM05660BA/html/1980/2019/>) (Elaborated by the author).

This political and democratic stability has attracted investments from abroad to the country, between 1980 and 2019 there has been a constant increase in foreign investment, as we can see in Figure 16.

3.4.1.2. Monetary Policy

At the end of 1990, Peru started a financial reform process as part of a group of structural reforms whose objective was to liberalize the markets. These reforms gave equal treatment to local and foreign investments and granted the market a new role as a resource allocator. The country eliminated selective credit controls, ended interest rate subsidies, and stopped subsidized lines to specific sectors, these measures allow the state to abandon unnecessary administrative measures which restrict an adequate functioning of the financial system. These changes produce the liberalization of the interest rates and the exchange rate. (Monetary policy operating procedures: the Peruvian case, Choy, p.186).

Currently, the Central Reserve Bank of Peru (BCRP) is the institution that is in charge of the preservation of monetary stability in this country. Peru has become an illustrative example of how a good monetary policy can achieve price stability, and reduce financial vulnerabilities. Stability in terms of inflation has allowed the investors in the agro-export sector to obtain loans with good interest rates from the financial system, find possible business partners abroad, and invest the money with low risk.

3.4.1.3. Fiscal Policy

The fiscal policy design impact the agro-export sector, the elaboration of the public budget has to satisfy different demands and distribute resources to reach multiple objectives and implement the economic policies of the government. The Peruvian government has implemented irrigation projects, rural electrification, countryside roads, and agricultural research.

All these projects allow the companies in this sector to increase the agricultural productivity, as well as to reduce the required time to allocate their production from the countryside to the markets in the big cities and abroad.

3.4.1.4. Tariffs Law

Peru has not tax exports, however, companies have to present some documents to the Department of the Government responsible for the collection of taxes (SUNAT), tax authority requires:

- ✓ Exporter identity document.
- ✓ Proof of payment: Invoices, sales tickets from the exporter (physically or electronically).
- ✓ Transport document: Bill of Lading (contract for maritime carriage) or Air Waybill (contract for aerial carriage).
- ✓ Power of attorney, when the paperwork is made by a third party on behalf of the exporter.

Table 31

Integrated Tariff of the European Union (TARIC) for Quinoa

TARIC Measure information			
Goods nomenclature code : 1008500000			
SECTION II VEGETABLE PRODUCTS			
CHAPTER 10 CEREALS			
1008 Buckwheat, millet, and canary seed; other cereals			
1008 50 Quinoa (Chenopodium quinoa)			
Origin	Type of Measure	Custom Duty	European Legislation
ERGA OMNES	Third country duty	37.00 EUR / 1000 kg	R1006/11
Peru	Tariff preferences	0 %	D0735/12

Note: EU's tariff for Quinoa. From: "Aranceles y otro Impuestos" by Ministerio de Comercio Exterior y Turismo (MINCETUR), 2016, Perfil de Producto Quinoa, p. 33 (http://repositorio.promperu.gob.pe/bitstream/handle/123456789/4680/Perfil_producto_quinoa_Espana_2016_keyword_principal.pdf?sequence=1&isAllowed=y) (translated by the author).

Germany imposes a tax on most goods imported from outside the European Union. The import tariffs, also called duties are imposed based on a certain percentage of the estimated market value of the imported item or based on a fixed amount of money per

unit imported. However, there is a free trade agreement between Peru and European Union for certain products such as Quinoa which is not produce easily in Europe. The trade agreement D0735/12 grants preferential tariff to Quinoa imported from Peru. Quinoa from this country is subject to a 0% customs duty.

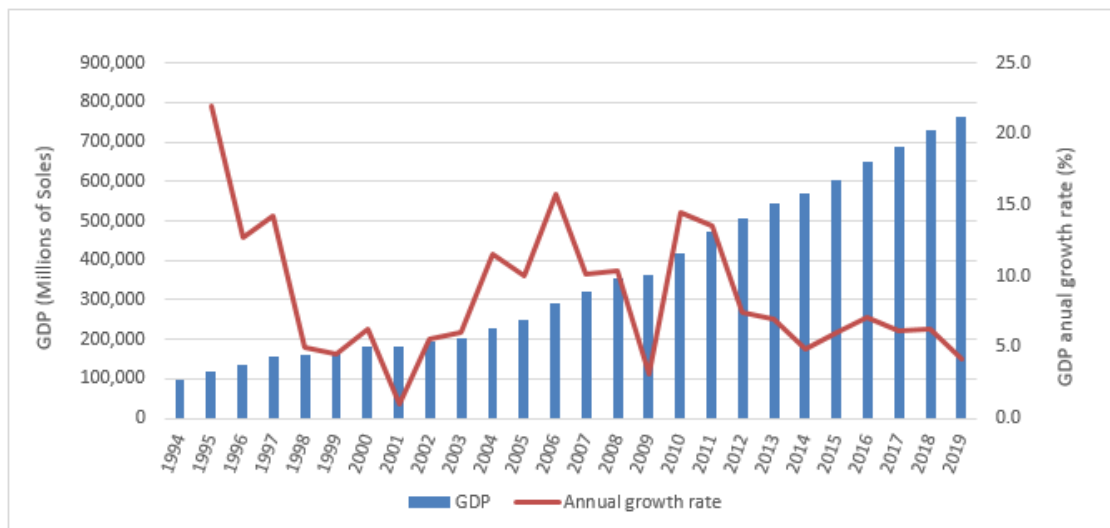
3.4.2. Economic Forces (E)

3.4.2.1. Evolution of the national GDP.

We define the gross domestic product (GDP) of a country as the monetary worth of goods and services that a country produces after one year. The GDP growth rate is an indicator of how fast the economy of a country is growing, the GDP considers personal consumption, business investment, government spending, and net trade. It is the most important economic indicator, the GDP growth rate is positive when the economy of a country is expanding, many experts consider that an acceptable growth rate is between 2% and 3%.

Figure 17

Peru: Gross Domestic Product (GDP) growth rate from 1994 to 2019



Note: Gross Domestic Product (GDP) growth rate from 1994 to 2019 in Peru. From: “Producto Bruto Interno Total y por Habitante 1994-2019 (Valores a precios Corrientes)”, by Instituto Nacional de Estadística e Informática (INEI), 2021. Economía (<https://www.inei.gob.pe/estadisticas/indice-tematico/economia/>).

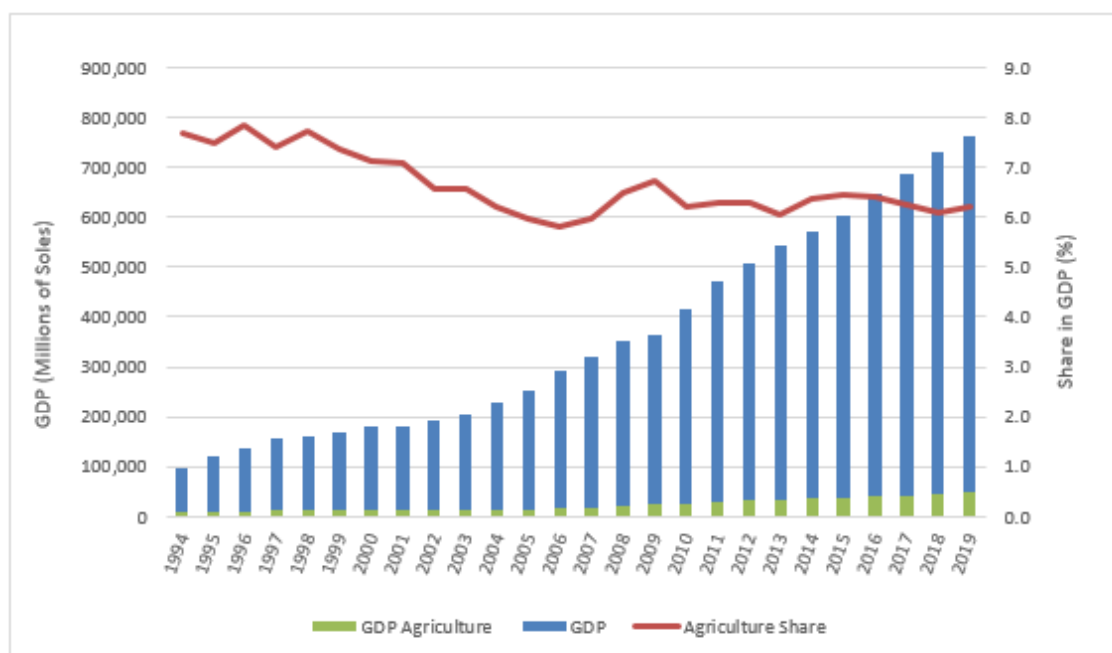
Measures like Privatization of State-owned companies, or promotion of foreign investments, and external factors like the 2000s commodities boom made Peru one of the world’s fastest-growing economies in the last decades, it is important to observe that between 1994 and 2019 the annual growth rate of Peruvian GDP was 8.6 percent per year. Peru now is considered a middle-income country, and millions of Peruvians have increased their standard of living.

3.4.2.2. Evolution of the share of agriculture in the Peruvian GDP.

Peru's economy depends on metal and agricultural exports, the agricultural sector has an essential role in the national economy because the share of it in GDP is about 6 to 8 percent since 1994.

Figure 18

Peru: Share of Agriculture in GDP from 1994 to 2019



Note: Share of Agriculture in GDP from 1994 to 2019 in Peru. From: “Producto Bruto Interno según Actividad Económica (Nivel 9) 1994-2019 (Valores a precios corrientes)”, by Instituto Nacional de Estadística e Informática (INEI), 2021.Economía (<https://www.inei.gov.pe/estadisticas/indice-tematico/economia/>) (elaborated by the author).

There is a proportional increase between Agriculture GDP and GDP which shows us that the prosperity of a country and agricultural developments are complementary and mutually supporting. A sustainable increase in agricultural productivity will contribute to providing cheap food to non-agricultural sectors, strengthen the purchasing power of the rural people, increase the country's incomes in the form of taxes and obtain foreign currency through the export of farm products.

3.4.2.3. Interest Rates

Interest Rate is the proportion of the amount of money loaned which a borrower has to pay to the lender, and it is one of the most important factors of the economic system because it affects the economic growth, inflation, and currency exchange rates of a country. The Central Reserve Bank of Peru (BCRP) is the main financial institution in Peru that has control over the production of money, distribution of money, and regulate the interest rates, as well as, the monetary policy.

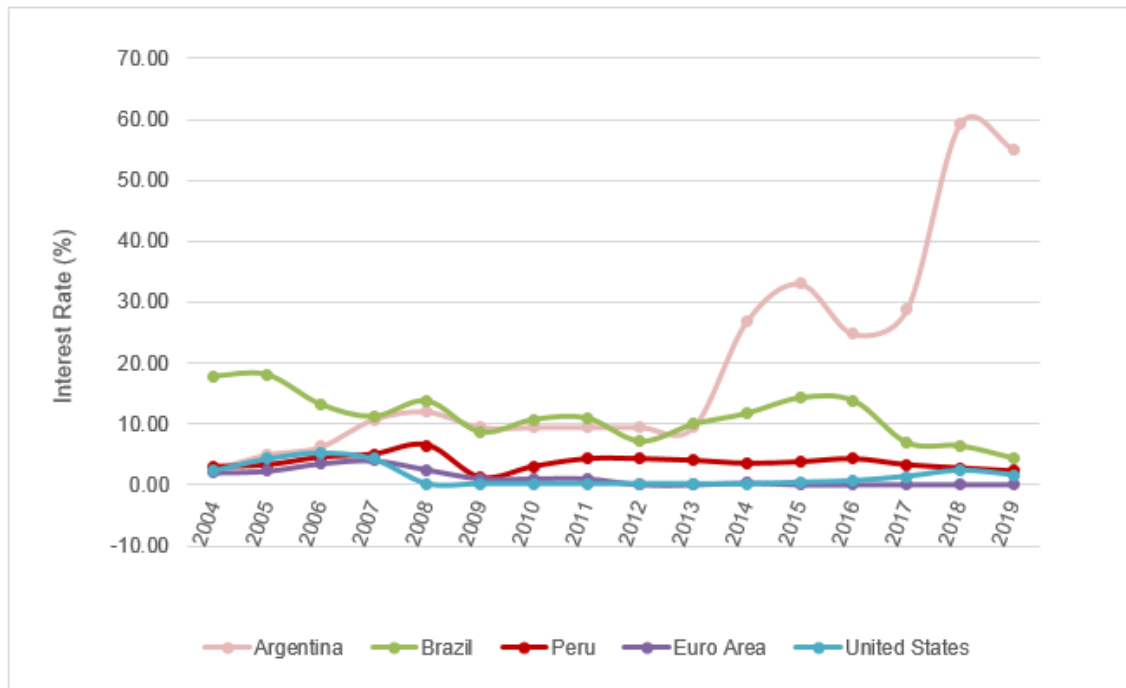
Table 32

Relation between Interest Rates, Economic Growth, Currency Exchange Rates, and Exports of a country.

Interest Rates	Economic Growth	Exchange Rate	Exports
Low	Grows	Falls	More competitive
High	Slows	Rises	Less competitive

Figure 19

Interest Rate Comparison between biggest regional and world economies from 2004 to 2019



Note: Interest Rate Comparison. From: “Financial, Interest Rates, Monetary Policy-Related Interest Rate, Percent per annum” by International Monetary Fund (IMF), 2021. Interest Rates Selected Indicators (<https://data.imf.org/regular.aspx?key=61545867>) (elaborated by the author).

Based on the economic situation the Central Bank can change its interest rates, when the economy is strong the bank raises its interest rate, and when the economy is slow the bank reduces its interest rates.

However, reducing interest rates has a double effect on the economy. Low interest rates make borrowing money cheaper because it boosts consumers to spend more money, and businesses to invest higher amounts in new projects, but it may also produce inflation. High interest rates attract foreign investors and therefore the exchange rate tends to rise.

When interest rates are low, Quinoa farmers tend to demand more loans because they could borrow more money with the best conditions to invest in equipment, fertilizers, or

modified seeds. It increases the productivity, and the number of employees of the agricultural companies, therefore the economy grows.

If Peru reduces the interest rate, it makes it less attractive to save money in that country because investors could find a better rate of return abroad. It will produce less demand for the national currency (sol) causing a fall in its value. This fall in the exchange rate will make Peruvian exports more competitive in foreign markets because products will reduce their price, on the other hand, import prices will rise.

Peru has followed American and European interest rate monetary policies, which allowed the country to keep its interest rate between 3 and 6.5 percent from 2004 to 2019, as we can see in Figure 19 Peru had more stable interest rates than the biggest South American economies (Brazil and Argentina) in these years.

3.4.2.4. Inflation Rates

We could define inflation as the decline of purchasing power of a currency in a period, causing a rise in the general level of prices of goods and services. High levels of inflation tend to erode easily the value of cash holdings as you pay more but get less. In the 1980s and the early 1990s, Peru faced years of chronic inflation and hyperinflation which grew to 12 379 percent in August 1990 (Barría, 2018). Since then the Peruvian government has tried to keep inflation under control, the Central Reserve Bank of Peru (BCRP) established a rate of inflation whose target is 2 percent, plus or minus 1 percent.

Low inflation contributed towards price stability because firms could predict future costs, and it encouraged them to invest in different economic sectors such as agriculture or mining. Another strong benefit of low inflation is competitiveness, low inflation results in stable prices of the products from the local market, in this case, the consumers will prefer to buy the local products instead of the imported ones because they are cheaper. Export companies from low inflation countries are also more competitive because they could offer their products abroad at affordable prices.

Table 33

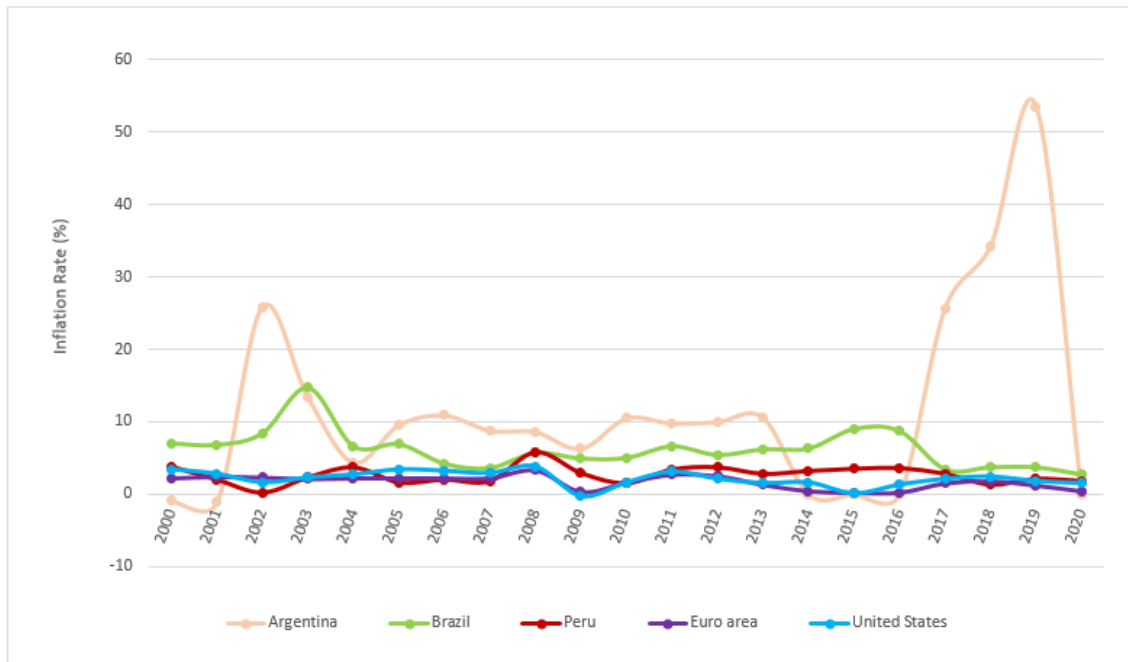
Relation between Inflation, Exchange Rate, Local Products Price and Exports of a country.

Inflation	Exchange Rate	Local Products Price	Exports
Low	Grows	Stable	More competitive
High	Falls	Rises	Less competitive

Considering all these factors, Peru kept its inflation rates below 4 percent almost every year after 2000, and for that reason, its economy outperformed the Latin American average in the last decades. As we can see in figure 20 Peru had more stable inflation rates than the biggest South American economies (Brazil and Argentina) in the last decades. The Peruvian moderate amount of inflation is considered as a sign of a healthy economy, it is reflected in a strong economy and high demand. This high demand makes prices a little bit higher, therefore suppliers tend to produce more of the specific good that consumers want to buy.

Figure 20

Peru: Inflation Rate Comparison between biggest regional and world economies from 2000 to 2020



Note: Inflation Rate Comparison. From: “Inflation rate, average consumer prices” by International Monetary Fund (IMF), 2021. IMF Datamapper (<https://www.imf.org/external/datamapper/PCPIPCH@WEO/ARG/BRA/PER/EURO/USA>). Copyright 2021 by the International Monetary Fund. (Elaborated by the author).

Workers also take advantage of this high demand, because this effect contributes to increasing the demand for labor, therefore wages tend to be higher. In the end, these workers with higher salaries tend to consume more goods, the cycle continuous.

3.4.2.5. Currency exchange rates

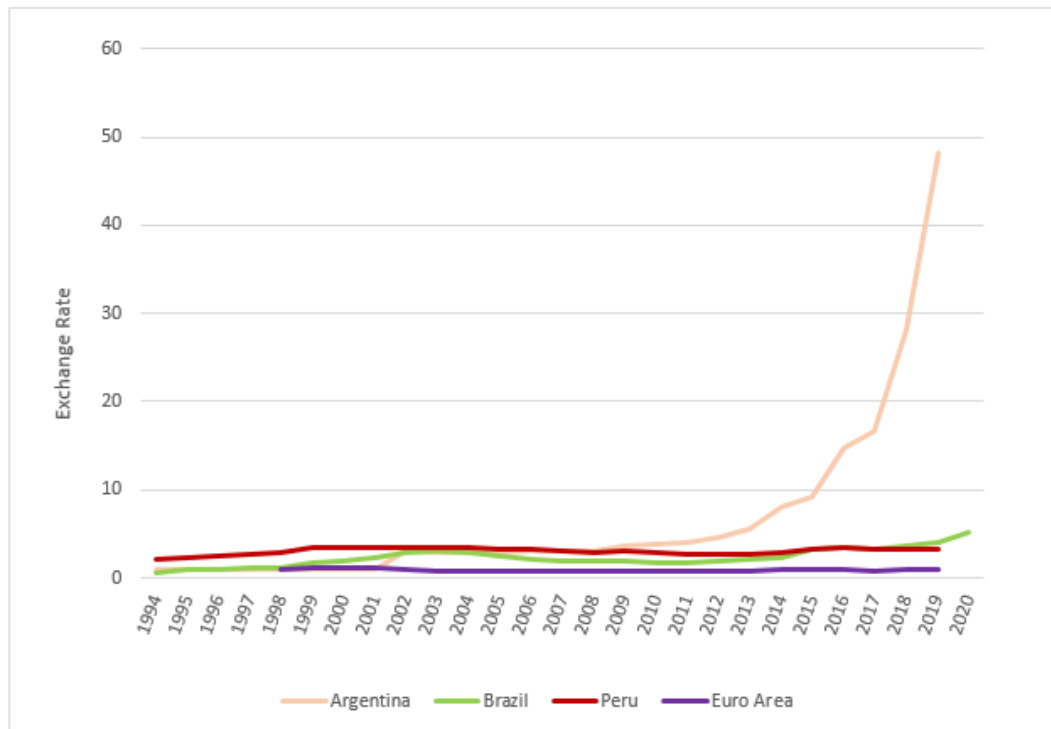
The exchange rate of a country is an important indicator of economic stability, for that reason it is constantly analyzed. We define it as the rate at which one country’s currency is converted into another, it fluctuates frequently based on the level of supply and demand of currencies from these countries.

Many factors may affect Exchange Rates (Inflation, Interest Rates, Government debt, Political Stability, etc). Without import taxes and free trade agreements between countries, the currency exchange rate plays a relevant role in international trade, as we explained before a weak currency makes export cheaper by making them more affordable for foreign customers to purchase, on the other hand, a strong currency makes export more expensive.

All the governments worldwide take economic measures to keep a stable exchange rate, which helps them to attract foreign investments. A stable exchange rate reduces volatility, instabilities, and fluctuations in product prices, therefore this factor impacts the real return of an investor’s capital. In the Peruvian case, the Central Reserve Bank of Peru (BCRP) followed an economic plan to increase or decrease the money supply to keep stable this rate based on the market fluctuations.

Figure 21

Peru: Exchange Rate Comparison against the American Dollar between countries from 1994 to 2020



Note: Exchange Rate Comparison. From: “Exchange Rates” by Organization for Economic Co-operation and Development. (OECD), 2021. OECD Data (<https://data.oecd.org/conversion/exchange-rates.htm>). Copyright 2021 by the Organization for Economic Co-operation and Development. (Elaborated by the author).

As we can see in Figure 21 Peru had more stable exchange rates against the American Dollar than the biggest South American economies (Brazil and Argentina) in the last decades which allowed it to attract more investors and increase hugely its exports in the agricultural sector.

3.4.2.6. Peru’s Free Trade Agreements

Peruvian economy depends on its natural resources, and approximately 6 percent of its GDP relies on agricultural production and export (INEI, 2021), the internal market is not enough for the high level of local agro-industrial production that explains Peru’s need to be open to world trade.

Free Trade Agreements reduced trade barriers, therefore taxes imposed on imports by foreign countries were lowered or eliminated in many cases. It allowed export Peruvian firms access to new business opportunities and global marketplace, as well as, achieve large-scale production. Furthermore, agreements increased average annual growth by 4.8 percent in Peru in the last 27 years, between 1993 and 2019 (INEI, 2021). Peru has signed a considerable number of free trade agreements with its main trade partners, these agreements are bilateral (with two countries), and multilateral (with three or more countries), in figure 22 we can see the countries that have free trade agreements with Peru.

Figure 22

Countries that have free trade agreements with Peru



Note: Countries that have free trade agreements with Peru, in blue (agreements applied), and in yellow (agreements being negotiated). From: Desarrollo Peruano (2014, October). *El Mapamundi de Nuestros TLC*. (<http://desarrolloperuano.blogspot.com/2014/10/el-mapamundi-de-nuestros-tlc.html>).

Table 34

Amount of Exports and Imports between Peru and China, United States and the European Union, before and after the Free Trade Agreements

Trade Indicators	China		United States		European Union	
	2009	2017	2008	2017	2012	2017
Exports (millions dollars)	4078,8	11611,3	5835,7	6891,9	8121,9	6511,6
Imports (millions dollars)	3272	8491	5564,4	8051,7	4989	9084

Note: Amount of Exports and Imports between Peru and other trade blocs. From: Los TLC Impulsan el Desarrollo del Perú. (2018, March 19) by La Cámara, 2018. *Balanza Comercial del Perú con EE.UU, China y la UE*, p. 7 (https://apps.camaralima.org.pe/repositorioaps/0/0/par/edicion819/edicion_819.pdf). (Elaborated by the author).

In table 34 we could analyze the big differences in the number of imports and exports before and after the agreement, for instance, the exports from Peru to the United States grew 18.1 percent between 2009 and 2017, and from Peru to China grew 184.7 percent. In table 35 we can see the list of all the countries and blocs which have Free Trade Agreements with Peru and the dates on which they were signed.

Table 35

Countries that have free trade agreements with Peru

Free Trade Agreements		
FTA Country / Bloc	Execution Date	Effective Date
Australia	12-feb-18	11-feb-20
Honduras	29-may-15	01-ene-17
AP (The Pacific Alliance)	10-feb-14	01-may-16
European Union	26-jun-12	–
Japan	31-may-11	01-mar-12
Costa Rica	26-may-11	01-jun-13
Panama	25-may-11	01-may-12
Mexico	06-abr-11	01-feb-12
South Korea	14-nov-10	01-ago-11
China	28-abr-09	01-mar-10
EFTA(European Free Trade Association)	14-jul-08	14-jul-10
Canada	29-may-08	01-ago-09
Singapur	29-may-08	01-ago-09
Chile	22-ago-06	01-mar-09
United States	12-abr-06	01-feb-09
MERCOSUR (Southern Common Market)	30-nov-05	–
Thailand	–	31-dic-11

Note: Countries that have free trade agreements with Peru. From: “Acuerdos Comerciales en Vigor” by Organización of American States (OAS), 2021. Información sobre Perú (http://www.sice.oas.org/ctyindex/PER/PERAgreements_s.asp). (Elaborated by the author).

It is clear that free trade agreements reduce or eliminate barriers to trade among countries, it represents the end of protectionism. These agreements allow companies to focus on the production of goods and services, and they can import resources that are scarce in their home countries in a faster and cheaper way, therefore organizations produce a final product with materials from different parts of the world. In the end, the final customer takes advantage of these policies because they can buy products at affordable prices.

3.4.2.7. Evolution of the Quinoa World Price

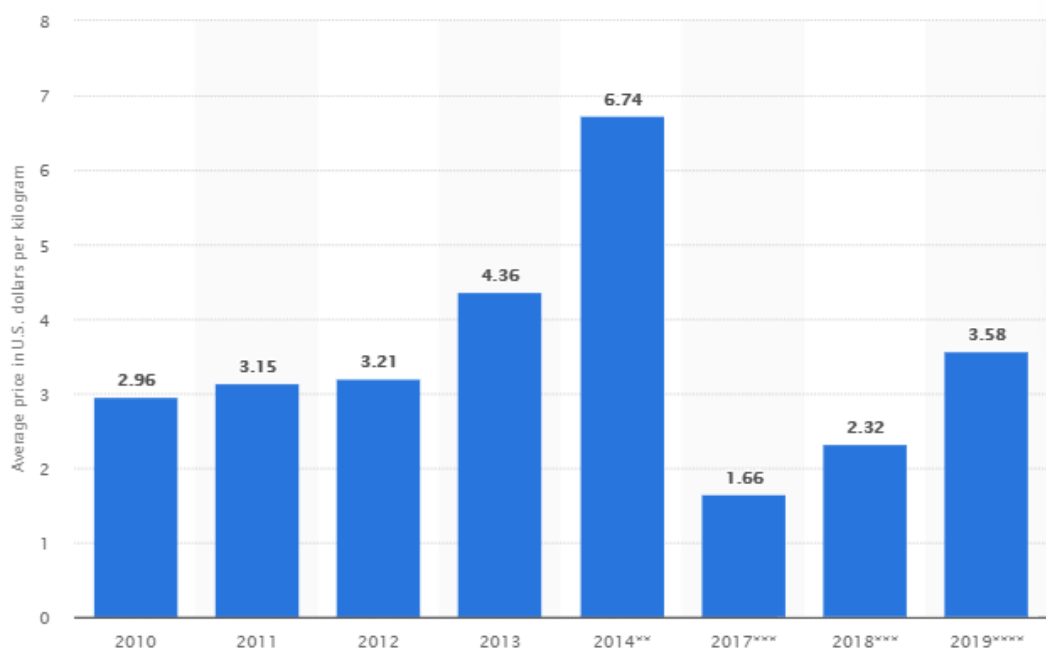
The biggest disadvantages in agricultural prices are their variability and unpredictability, prices in this sector tend to be high before harvest, but low during and after harvest. Global warming led to an increase in extreme weather conditions such as heatwaves, droughts, or floods in many parts of the planet, these adverse conditions produce price volatility. The impact of natural disasters on agricultural prices can be higher in products that are produced only in one specific region like the Quinoa that is only produced in the Andes.

We have to consider that there are constant changes in supply and demand. In this particular case, increasing Quinoa production takes a considerable time because the new crops must be grown. Similarly, it takes a long time to change consumption habits, like changing the nutritional preferences in Germany from traditional cereals to Quinoa.

If demands grow faster than supply, prices tend to rise. However, if demand falls, prices tend to drop sharply.

Figure 23

The Average price of Quinoa worldwide from 2010 to 2019



** As of the first quarter, *** As of October 2018, **** As of December 2019

Note: Average price of Quinoa worldwide from 2010 to 2019. From: “Average Global Price of Quinoa 2010-2019” by M. Shahbandeh (<https://www.statista.com/statistics/520974/average-price-of-quinoa-worldwide/#:~:text=The%20global%20average%20price%20of,U.S.%20dollars%20on%20average%20worldwide>). Copyright 2021 by Statista.

The high Quinoa price volatility has a detrimental effect on small farmers because they make all their investments in equipment, fertilizer, and grains before the final Quinoa price is known. This unpredictability makes farmers invest less than usual, and in the end, they produce less Quinoa to sell and reduce their profits. In Figure 23 we could see the strong changes in the prices of Quinoa worldwide during the last years.

3.4.3. Social Forces (S)

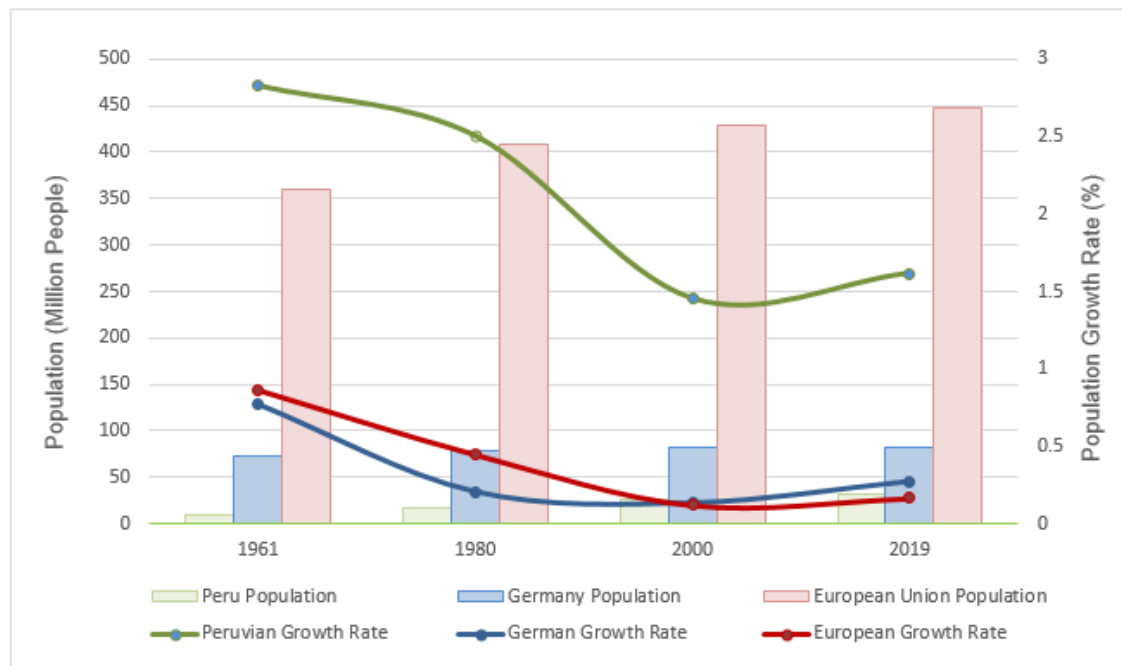
3.4.3.1. Population and Population Growth Rate

The population growth rate in Germany has been decreasing in recent years. Later ages of marriage, fast access to contraception, the growing desire of German women to focus on their careers, and the high cost of raising children in industrialized societies are some factors that produced a fall in the population growth rate in this country. However, a steady influx of migrants helped to reduce the impact, Germany 2019 population is estimated at more than 83 million, and in the European Union at more than 447 million people (The World Bank, 2021). The situation in Peru is different, between 1961 and

2019 this country had an average population growth rate of 1.97 percent in comparison to the 0.22 percent of the German growth rate in the same period (The World Bank, 2021). We can see these tendencies in Peru, Germany, and the European Union in Figure 24.

Figure 24

Population and Population Growth Rate Comparison between Peru, Germany, and the European Union from 1961 to 2019



Note: Population growth (annual %) - Peru, Germany, European Union. From: "The World Bank Data" by the World Bank, 2021. The World Bank Data (<https://data.worldbank.org/indicator/SP.POP.GROW?locations=PE-DE-EU&view=chart>). Copyright 2021 by the World Bank Group.
 Population, total- Peru, Germany, European Union. From: "The World Bank Data" by the World Bank, 2021. The World Bank Data (<https://data.worldbank.org/indicator/SP.POP.TOTL?end=2019&locations=PE-DE-EU&start=2019&view=bar>). Copyright 2021 by the World Bank Group. (Elaborated by the author).

There is a connection between consumption and poverty, a high incidence of poverty reduces the rate of consumption of goods and services. Poor families around the world spend much of their income on their basic needs, and it affects significantly their consumption patterns, it is difficult to improve the standard of these people, they do not have access to high-quality foods. In figure 25, we can see that Economic growth (GDP) has a positive effect on the poverty rate, the Peruvian case is incredible because the country reduces its Poverty Rate from almost 65 percent in 2004 to 20 percent in 2019.

Figure 25

Percentage of the population living in Poverty and GDP per capita comparison between Peru, Germany, and the European Union from 2004 to 2019



Note: GDP per capita (current US\$) - Peru, Germany, European Union. From: "The World Bank Data" by the World Bank, 2021. The World Bank Data (<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2019&locations=PE-DE-EU&start=2004>). Copyright 2021 by the World Bank Group.

Poverty headcount ratio at national poverty lines (% of the population) - Peru, Germany, European Union. From: "The World Bank Data" by the World Bank, 2021. The World Bank Data (<https://data.worldbank.org/indicator/SI.POV.NAHC?end=2019&locations=PE-DE-EU&start=2004>). Copyright 2021 by the World Bank Group.

In figure 25, we can also see that Germany has a really low Poverty Rate (around 10 percent since 2004) which implies that people in this country have high incomes, it reflects in the high-quality products that they tend to consume. It represents a great opportunity to introduce new products to a market with high purchase power.

3.4.4. Technological Forces (T)

Advancements in technology impact drastically in modern agriculture. Drones help farmers to optimize the use of resources such as seeds, fertilizers, or water. Sensors allow farmers to monitor weather conditions, measures moisture levels, and prevent excess or lack of water in their crops. GPS-based and GIS-based applications are used for agricultural machine guidance during low visibility field conditions and precision farming. Farm machinery is used for reducing labor time, supplying water to the crops in irrigational systems, sowing the seeds, harvesting crops, and many other agricultural activities. Research and Development (R&D) increases crop productivity in this field, genetic modification of seeds, high-quality agrochemicals, mechanized irrigation; and biotechnology are just some of the results. Despite the evident advantages to develop technology in this field, R&D gets just a tiny part of Peru's Government Budget.

3.4.5. Legal Forces (L)

3.4.5.1. Labor Law

Law No 27360 is the law that approved the regulations for the promotion of the agricultural sector, this granted labor and tax benefits for companies that invest in horticulture, breeding, aquaculture, or agroindustry. This law ruled the agro-export sector in Peru between 2000 and 2020.

Table 36

Differences between agrarian laws No 27360 and No 31110

	Law No 27360 (Repealed)	Law No 31110 (New one)
Type of Contract	Employment contracts could be permanent or fixed-term, in this case, the duration of contracts depended on harvest periods.	Employment contracts could be perpetual or fixed-term, in this case, the employer has to pay all the labor rights included in Law No 728 (Law on Productivity and Labour Competitiveness)
Preferential rights of contract		If a worker has previously worked in a crop, he has priority in case the employer hires workers in the same crop.
Remuneration	Daily Remuneration higher than 39.19 soles	Daily Remuneration higher than 48.45 soles (calculated based on the minimum vital remuneration)
Vacations	30 days per year of service	It will be proportional to what corresponds to the thirty-day vacation per year of services
Overtime Pay		Overtime must be paid at the same time that remunerations are paid.
Total corporate profits distribution		Agricultural workers participate in company profits: 2021-2023, in 5% 2024-2026, in 7.5% By 2027, in 10%
Complimentary Risk Work Health Insurance (SCTR) Payment		It includes the Complimentary Risk Work Health Insurance (SCTR) payment.

Note: Tax and labor effects of the new agrarian law. From: "Implicaciones laborales y tributarias de la nueva Ley Agraria" by Hugo Paz, 2021. Agro Negocios Perú. (<https://agronegociosperu.org/2021/01/18/implicancias-laborales-y-tributarias-de-la-nueva-ley-agraria/>).

Reduction in labor and tax costs encouraged many companies to invest in these economic sectors, furthermore, the free trade agreements and promotion campaigns

increased significantly the agricultural exports. However, this economic boom was not reflected in the worker's labor rights. Workers just earned a minimum remuneration without incentives or improvements in their working conditions.

Currently, there are many debates in the Peruvian congress to implement new regulations for this sector, and probably law No 31110 which grants more benefits to the agricultural workers will be approved soon.

3.4.5.2. Phytosanitary Certificate

Germany has specific standards to protect local consumers and prevent the introduction and spread of plant pests and diseases, all the goods imported by this country have to follow these requirements. Some products have a high probability of introducing pests, for that reason, a phytosanitary certificate is necessary when a company want to export shipping regulated plant products, this certificate is an official document which is generated from the exporting country's Department of agriculture.

In Peru, the department in charge is SENASA (National Service of Agrarian Health), and classified Quinoa as a level 3 product (CRF 3) in the classification of commodities into phytosanitary risk categories. The document issued by SENASA must certify that the Quinoa is practically free from pesticide active ingredients or injurious pests.

3.4.5.3. Customs inspection

Each country takes measures against smuggling, national offices are the departments in charge of customs inspection which is an important part of freight transport. The objective of this inspection is to check the customs declaration, possible smuggling or trademark violations. During the inspection, an officer checks the value and quantity of the goods we pretend to export, the inspection may include some samples of our products or the entire amount of them. The great disadvantage of these inspections is that they consume time, work and may damage our products.

Resolution N° 47-2016-SUNAT/5F0000 states a specific procedure for customs inspections (INTA-PE.00.04), this official measure is carried out by Peru's Tax Administration (SUNAT) and the National Service of Agrarian Health (SENASA), this inspection is mandatory before export.

3.4.5.4. Maximum Residue Limit (MRL)

The Maximum Residue Limit (MRL) is the highest level of pesticide residue legally tolerated in vegetables, it is the main measure taken by governments to ensure the quality of the food which enters their country.

The European Union has a department (The Directorate-General for Health and Food Safety) that is in charge to specify maximum residue limits for imported food products, which include Quinoa. In table 37, we can see the list of pesticides and their maximum residue limit allowed in Quinoa by the European Union.

Table 37

EU - Pesticides Database

Maximum Residue Limit (MRL) in ppm Quinoa			
Active Ingredient	Value (ppm)	Active Ingredient	Value (ppm)
Azoxystrobin	0.01	Glyphosate	0.10
Carfentrazone-ethyl	0.05	Methyl bromide	50.00
Chlorantraniliprole	0.02	Phosphine	0.70
Dichlorvos	0.01	Propiconazole	0.01
Etofenprox	0.01	Spinetoram	0.05
Fluoride	2.00	Spinosad	2.00
Flupyradifurone	0.01	Sulfuryl fluoride	0.05

Note: Plaguicidas LMR. From: Plaguicidas LMR by Comisión de Promoción del Perú para la Exportación y Turismo (PROMPERU), Búsqueda 2021 (<http://plaguicidaslmr.promperu.gob.pe/#>) (Elaborated by the author).

This may represent a great challenge for our organization because we plan to increase the amount of exported Quinoa buying to the local and regional producers; however, it is difficult to control which kind of pesticides that the local farmers pretend to use. The risk is the quality of our Quinoa may be heterogeneous, and in the worst-case rejected by the European Union.

3.4.5.5. Sanitary Requirements for food processing

All the buildings involved in the processing of vegetable products must have Sanitary Authorization, National Service of Agrarian Health (SENASA) is the institution in Peru in charge of issuing this type of certificate. The inspection involves:

- ✓ Hazard Analysis Critical Control Point (HACCP) which identify potential problems in the total food system from harvesting to consumption
- ✓ Sanitation Standard Operating Procedures (SSOPs or POES) which monitor correct cleaning and sanitizing procedures in food processing buildings.

The traceability of Quinoa's entire supply chain allows institutions to reduce the risk of illness transmitted by the plants, and ensure the quality of the products.

3.4.5.6. Labeling

Food placed on the German market must follow the European Union Regulation N° 1169/2011 on food labeling, just in case, we decide to export pre-packaged Quinoa, this regulation stipulates:

- ✓ The name under which the product is sold.
- ✓ Class of product.
- ✓ Nutritional Values.

- ✓ List of ingredients
- ✓ Special conditions for keeping or use.
- ✓ Manufacturer, packager, or importer name and address.
- ✓ Net quantity.
- ✓ Date of minimum durability.
- ✓ Place of origin.
- ✓ Logos of manufacturer, packager, or importer (Optional)
- ✓ Certificates (Optional)

The content of the label must be in German. Compliance with labeling requirements and the accuracy of the information on the label can be checked at any stage in the distribution chain.

3.4.6. Environmental Forces (E)

Peru is recognized as a country with great biodiversity and rich in natural resources but is also vulnerable to climate change. In recent years a considerable number of glaciers in this country has melted away, and natural disasters such as the “El Niño Phenomenon” which disrupts normal weather patterns are more powerful each year. These factors affect agricultural activities, for that reason, Peru created institutions that ensure environmental management and governance.

The Ministry of Environment (MINAM) which was created in 2008, is the Peruvian government department in charge of the environmental policies, sustainable use, and conservation of natural resources. The ministry leads 3 main policies, the National Environmental Policy (PNA), the National Environmental Management System (SNGA), and the National Environmental Impact Assessment System (SEIA).

The National Service of Meteorology and Hydrology of Peru (SENAMHI) which was created in 1969, is the Peruvian agency, part of the Ministry of Environment which mission is to generate and provide meteorological, hydrological, and climate information for Peruvian society, this agency contributes to the reduction of negative impacts produced by natural disasters.

The National Water Authority (ANA) was created in 2008, it is a governing body that is in charge of the National Water Resources Management System, its main objective is to protect, maintain, and take advantage of the water resources of the country. Considering that climate change produces extreme weather events, and exacerbates water scarcity, this institution plays a more important role.

3.5. SWOT Analysis for our Organization

Based on the previous steps (Company Situation, Selected Competitors Situation, Customer Market Situation, and Environmental Situation), we obtain the SWOT Analysis chart for our organization.

Table 38

SWOT Analysis for our organization

Strengths
<ol style="list-style-type: none"> 1. The company owns many hectares of fertile lands and has the option to use near community farmlands. 2. High Water Availability, there are many rivers and irrigation ditches near the crops. 3. The abundance of skilled agricultural workers, and professionals in that field. 4. The low daily wage for farm workers where the crops are located.
Weaknesses
<ol style="list-style-type: none"> 1. The company's Crop Yield is low (904 kg/ha) 2. Small product range, there is just one product presentation. 3. Lack of participation in Global Markets. 4. Lack of experience in the agricultural export business. 5. Low Profitability. 6. The small number of International Organic Certifications.
Threats
<ol style="list-style-type: none"> 1. Peru has faced a political crisis since 2017, and the presidential election in 2021. 2. Long procedures for phytosanitary, maximum residue limit, sanitary certificates, and organic certifications. 3. Variability and unpredictability in Quinoa World Price. 4. Slow Population Growth in Germany and the European Union may reduce consumption in Superfoods. 5. Lack of technology adapted to the rugged terrain of Peru's highlands. 6. Changes in agrarian laws may be detrimental for agricultural export companies, and it may increase informality in this sector. 7. High vulnerability to climate change, and natural disasters.
Opportunities
<ol style="list-style-type: none"> 1. The European Union is the world's biggest Quinoa importer, and Germany is the second biggest one in Europe. 2. Quinoa is known in all the German regions, mainly in Hamburg, Baden-Wurtemberg, and Bavaria. 3. Women tend to invest more in Superfoods than men. 4. Young people (between 18-29 years old) are the main consumers of Superfoods. 5. Highly educated people tend to buy Superfoods. 6. Most of the Superfood consumers eat it daily and since many years ago. 7. An open financial system without credit controls, subsidies that attracts foreign investment. 8. Strong GDP growth and the introduction of tax reforms bring monetary, and price stability. 9. Free Trade Agreement between Peru and the European Union, there are no tax exports for Quinoa among these trade blocs. 10. GDP per capita in Germany and the EU are high, an increase in income may be followed by a rise in consumption of Superfoods.

3.6. Strategy Formation for our Organization

Based on the SWOT Analysis we have to analyze the possible obstacles and advantages that our organization will face, and apply the most suitable strategy issues purposed by De Wit.

3.6.1. Profitability or Responsibility?

Determine the organizational purpose is a challenging decision, it is clear that the reason for creating a company is to make profits; business organizations must be profitable to survive, and raise new capital to expand the firm. However, it is also important to consider the human factor, and its needs because in the end, it is the engine of every organization.

- Profitability strategy in the Peruvian Highlands

The profitability business model has not worked in the Peruvian Highlands, where the most profitable activities are mining and agriculture. Transnational corporations have exploited these natural resources of this region for decades without social responsibility because their industrial processes contaminated sources of water, have detrimental effects on the health of the members of closed communities, and offer poor working conditions.

These factors generated a social resentment that has been transmitted for generations and resulted in a negative public opinion against foreign investment. Even in recent years, there were violent protests when international companies tried to open mining projects in different points of the country.

- Respect for local traditions and customs

It is also important to considerer, the religious festivities, culture, and traditions existing in the local communities, the company should take part in these celebrations, and respect them as an important value in these towns. Social Responsibility generally makes workers commit themselves to the organization, they will become strongly connected to the company, and therefore they will be willing to invest years learning specific knowledge and skills related to the technical field and useful for the firm.

- Importance of good work conditions

Two of the main weaknesses of our company are the low profitability and the low crop yield, at a first glance, social responsibility looks like a measure that hurts company's profitability; however, organizations that ensure job security, occupational safety, holidays, and good working conditions improve their performance because employees work as a motivated team, therefore our company could improve these two indicators applying this strategy, it is long-term profitability. We have to consider that it is uncomfortable for employees to work for an organization which unique objective is to serve only owners' interests.

- Understanding the community's needs

Our company's farmlands are located in the Peruvian Highlands at an altitude of 3400 meters above mean sea level closed to Baños town, there are also many local communities in this area, where subsistence farming is predominant, but most of the local farmers do not treat farming as a business. Considering the location, water resources, abundance of skilled workers, and low daily wages who live in these towns as the main company's strengths, we should focus on the human capital.

Figure 26

The "Mirasol Project", a successful case of corporate social responsibility in an agro-export company in the Peruvian Andes.



Notes: The "Mirasol Project", a successful case of an agricultural export company with social responsibility. From: "Galeria", by Grupo Michell, 2019. (<http://mirasol.com.pe/gallery>). Copyright 2019 by Michell y Cia.

People within the organization need to develop a sense of community, and level of trust among them, and managerial positions. Acting in the interest of others is the unique way to do that, our company will prioritize the personal development of all the local workers through a permanent technical training course, the organization should also spend a percentage of the profits and collaborate with local governments in the community needs such as water, drainage systems, public lighting, hiring teachers, or implementing educational scholarship program for the workers' children.

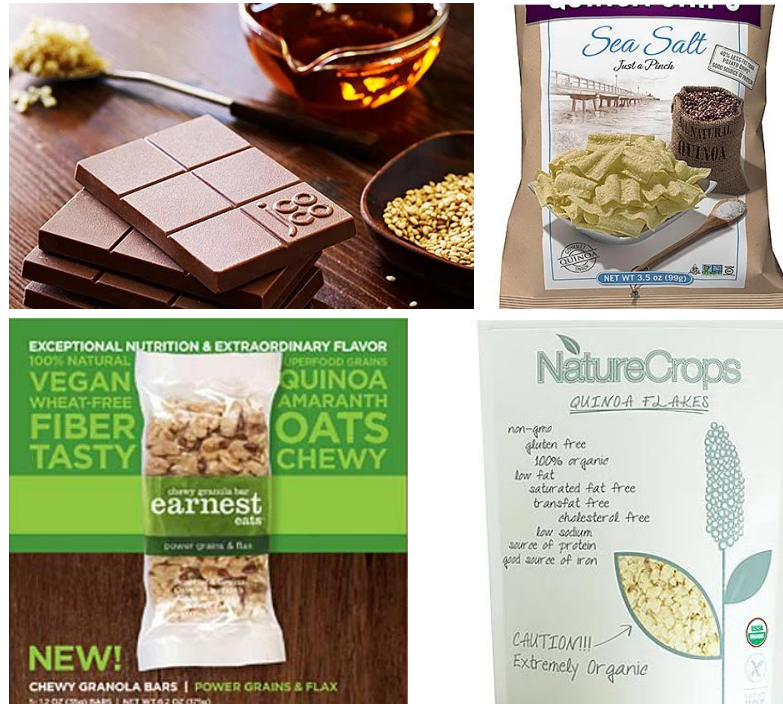
3.6.2. Market or Resources?

Analysis of the environment allowed us to identify attractive market opportunities in specific segments based on geographic, demographic, psychographic, and behavioral segmentation. There are potential customers whose needs can be satisfied in a better

way than currently done by our competitors, therefore we should understand quickly shifts in customer's demands and respond to them.

Figure 27

Products made from Quinoa



Notes: Existing products made from Quinoa. From “Top 10 Quinoa Products”, by Food & Wine, 2016. (<https://www.foodandwine.com/lifestyle/top-10-quinoa-products?slide=c0c9b130-f70b-48ff-a3a8-b16069c0c685#c0c9b130-f70b-48ff-a3a8-b16069c0c685>).

Our biggest competitors have positioned their products in the German market before us, and it represents a source of sustained profitability. However, based on our SWOT analysis there are some interesting opportunities in particular niches such as male consumers, middle-aged consumers, and people who live in many regions where there are not many Superfood consumers who are not completely satisfied.

Considering all, we should adapt our products to the needs and wants of the unsatisfied customers, and understand their decision-making process. Quinoa has become a common grain, and consumption is still increasing among German families. However, Quinoa should be incorporated into German diets in new ways. It is probably, that new processed Quinoa products (Quinoa chocolate bar, Quinoa flakes, Quinoa Chips, or Quinoa energy bars) may attract potential consumers.

3.6.3. Competition or Cooperation?

In all the economic sectors companies tend to be competitive because they have to secure their interests; however, export organic Quinoa to other continents is not a conventional business because it implies many requirements, a great amount of

production, and invest a considerable amount of money, these are conditions which a big export company can easily have, but not small and medium organizations. Based on de Wit's strategies, when two or more organizations' goals are similar and mutually beneficial is recommendable to consider cooperation instead of direct competition.

- Biggest amounts of production

Export is a business activity which necessarily implies a great amount of production, shipping standard containers can carry between 24 to 29 tons., just big corporations own great extension of farmlands in Peru. Cooperation is the most suitable strategy among small and medium agricultural companies which pretend to export, just combining the Quinoa production from many regional small and medium farmers is possible to reach considerable amounts to export.

- Positive impact on the production chain

This cooperation is not exclusive to local Quinoa producers, it also implies strategic alliances with regional producers of complementary goods and services (universities, fertilizer suppliers, transport, and food services). Increasing our production we will have more possibilities to satisfy the high Superfoods demand in Germany and Europe. Moreover, increasing our profitability will impact undoubtedly our strategic partners.

- Reduce the role of intermediaries

In most cases small Quinoa rural farmers are forced to sell their product at low prices to the intermediaries which control the local market; however, a structured production and organization among small, and medium producers will allow them to establish fair prices which increase farmer's profits and improve their quality of life.

- Reduce Costs

Certifications, permissions, and transport are costs that may be reduced in case the small and medium farmers cooperate and negotiate as a single organization.

- Product Adaptation

Adapt our current offer to satisfy the new consumer's needs necessarily implies new technology, strategic alliances with complementary producers may be a great advantage. For instance, if we decide to produce Quinoa energy bars, we should collaborate with companies that produce this kind of product made of other ingredients before.

For these reasons we consider cooperation as the most suitable strategy among small and medium agricultural companies which pretend to export, a well-structured organization will allow them to obtain more benefit and allocate their products abroad, and it is the unique way to compete with bigger competitors with more years in the business sector.

4. Chapter 4: Conclusions.

- A well-defined, and clear vision of a new small export company allows us to shape the company's future, while a precise mission helps us to identify the scope of the business operation. The Values and Code of Ethics are the policies that will rule and channel the performance of the workers. These elements are the four cornerstones that serve as the foundation of all business Plans.
- Environmental analysis helps us to conclude that common problems that face a new small export company in Peru are long procedures to export, the unpredictability of Quinoa World price, change in agrarian laws, and the high vulnerability to climate change. However, companies that overcome these barriers have access to the world's biggest Quinoa market, even more, customer segmentations allow us to determine that there is a big number of potential customers where are not still attended with the current Quinoa products. This analysis also shows that besides the changes in consumer patterns of the European customers towards Quinoa, free Trade Agreements are useful tools to enter new markets.
- SWOT Analysis shows that the main strengths of small farmers at the beginning are their fertile lands, water availability, and the possibility to hire skilled workers. However, the Competitive Profile Matrix shows that existing companies in the market are in a well market position which is reflected in their big product range, global market participation, number of years in export business, profitability, and number of international certifications. Despite these big differences between small and big companies, there are ways to overcome them by applying suitable strategies.
- The reason for creating a company is to make profits; however, previous experiences of corporations that invested in the Peruvian in the mining and agricultural sector show us the companies whose unique objective is to serve owners' interests had strong problems with local communities. Small companies should prioritize the personal development of all the local workers, job security, occupational safety, understand the needs of the closed communities(basics services and education), respect their religious festivities and traditions, these actions will help people within the organization to develop a level of trust among them and managerial positions. These actions will motivate employees to invest their time in learning specific skills for the company, therefore the organization will increase its long-term performance.
- Competitors are well-positioned, therefore small new companies should apply market segmentation to find attractive market opportunities, and analyze new niches whose needs are not still satisfied. The best way to do that is adapting our products to their preferences using innovative presentations (Quinoa chocolate bar, Quinoa flakes, Quinoa Chips, or Quinoa energy bars).
- Cooperation among small companies in the same area, local Quinoa producers, and producers of complementary goods and services is a key strategy to face bigger competitors with more years in the business sector and more profits. Considering that organizations need big amounts of products to export product to other continents. This strategy will benefit all the regional partners.

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I herewith declare that I am the sole author of the current master thesis according to the regulation of Bremen University of Applied Sciences and that I have conducted all works connected with the master thesis on my own.

Furthermore, I declare that I only used those resources that are referenced in the work. All formulations and concepts taken from printed, verbal or online sources be they word-for-word quotations or corresponding in their meaning are quoted according to the rules of good scientific conduct and are indicated by footnotes, in the text or other forms of detailed references. Support during the work including significant supervision is indicated accordingly.

The master thesis has not been presented to any other examination authority. The work has been submitted in printed and electronic form.

I am aware of the legal consequences of a false declaration of honor.

A handwritten signature in grey ink, appearing to read 'C. Hennings', is positioned above a horizontal line.

i Bremen, 27.04.2021