

# Fundación Jalisco Incubator

MEXICO CASE STUDY



THE WORLD BANK

## Copyright

---

© 2014 International Bank for Reconstruction and Development / The World Bank  
Mailing Address: MSN I9-900 1818 H St. NW, Washington D.C., 20433 USA  
Telephone: (+1) 202- 458-4070  
Website: [www.infoDev.org](http://www.infoDev.org)  
Email: [info@infodev.org](mailto:info@infodev.org)  
Twitter: @infoDev  
Facebook: /infoDevWBG

Some rights reserved.

This work is a product of the staff of *infoDev* / World Bank. Note that the World Bank does not necessarily own each component of the content included in the work. The World Bank therefore does not warrant that the use of the content contained in the work will not infringe on the rights of third parties. The risk of claims resulting from such infringement rests solely with you. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of the donors of *infoDev*, The World Bank, its Board of Executive Directors, or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries. Nothing herein shall constitute or be considered to be a limitation upon or waiver of the privileges and immunities of The World Bank, all of which are specifically reserved.

## Rights and Permissions

---

This work is available under the Creative Commons Attribution 3.0 Unported license (CC BY 3.0) <http://creativecommons.org/licenses/by/3.0>. Under the Creative Commons Attribution license, you are free to copy, distribute, transmit, and adapt this work, including for commercial purposes, under the following conditions:

Attribution – Please cite the work as follows: *infoDev*, 2014. Fundación Jalisco - Mexico Case Study. Washington, DC: World Bank.

License: Creative Commons Attribution CC BY 3.0

Translations – If you create a translation of this work, please add the following disclaimer along with the attribution: This translation was not created by The World Bank and should not be considered an official World Bank translation. The World Bank shall not be liable for any content or error in this translation.

All queries on rights and licenses should be addressed to *infoDev*, The World Bank, MSN: I9-900, 1818 H Street NW, Washington, DC 20433, USA; email: [info@infodev.org](mailto:info@infodev.org)

## Photo Credits:

Front cover photo: iStock photo

# FUNDACION JALISCO INCUBATOR, MEXICO CASE STUDY

## TABLE OF CONTENTS

1. SUMMARY .....	2
2. BACKGROUND AND CONTEXT .....	2
3. STRATEGIC VISION, MISSION, AND TARGETS .....	3
4. INCUBATOR'S DISTINCTIVE FEATURES .....	3
5. BRAND AND MARKET POSITION .....	3
6. APPROACH TO INCUBATION .....	4
6.1. SERVICES PROVIDED .....	4
6.2. INSTITUTIONAL FRAMEWORK .....	5
7. BUSINESS MODEL .....	5
8. OUTCOMES AND CONCLUSIONS .....	6
9. CRITICAL SUCCESS FACTORS .....	7
10. LESSONS LEARNED AND IMPLICATIONS FOR AGRIBUSINESS INCUBATORS .....	7
11. FUTURE GOALS .....	8
12. REFERENCES .....	8
13. CONTACTS .....	8



**MINISTRY FOR FOREIGN  
AFFAIRS OF FINLAND**

The report was made possible thanks to the generous contribution of  
the Ministry for Foreign Affairs of the Government of Finland

## **1. SUMMARY**

After hearing of the success of Fundación Chile, the governor of the Mexican state of Jalisco sought to recreate the foundation locally. The result is Fundación Jalisco, which seeks to import successful business models to small farmers in Jalisco. For its first project, the Fundación imported high-yield blueberry plants from the United States, started a nursery, and gave the plants to local farmers who were capable of growing them successfully. The farmers deliver their berry harvest to the foundation, which packages and sells it throughout Mexico and overseas in the United States and the United Kingdom. The venture has been highly profitable for all concerned, and the foundation is now seeking to diversify into value-added products such as olive oil and cheese. The foundation relies on a combination of state funding and private investment.

## **2. BACKGROUND AND CONTEXT**

Fundación Jalisco emerges at a time when diversification through innovation is needed to keep Mexico competitive in international export markets, and to help its rural citizens attain a higher standard of living. The foundation seeks to blaze a trail by transforming Mexico's approach to new economic opportunities.

Francisco Ramirez Acuna, governor of the Mexican state of Jalisco, visited Chile in 2005 to determine whether the Fundación Chile agribusiness incubation model could be successful in Jalisco. Together, the Agricultural Council in Jalisco and Fundación Chile developed an institutional model, "Fundación Jalisco, Innovation and Development." The foundation was created through a constitutional act in 2006.

Fundación Jalisco started up in 2007 with the formation of an eight-member advisory board headed by Francisco Conejo, who also spearheaded the creation of Fundación Chile. Mr. Conejo is president of the bank Coincidir Sociedad Financiera Popular. He has managed agricultural business development and worked to improve rural productivity in Chile throughout the past 20 years. His experience and business affiliations facilitated partnerships and financial investments for Fundación Jalisco, including VitalBerry, Fundación Chile, the Jalisco government, and the Foundation's business-minded advisory board.

Fundación Jalisco struggled at first to secure long-term investment in Mexican agribusinesses, given agriculture's high investment and slow returns, and Mexico's immature venture capital industry. Mr. Conejo researched and developed successful pilot projects to build the foundation's reputation.

The foundation's advisory board guarded against early failures by assessing project feasibility and ensuring steady project development. This was critical to the organization's current success. Fundación Jalisco also relied on Fundación Chile's expertise in value-chain development and in gaining financial and technical support.

### 3. STRATEGIC VISION, MISSION, AND TARGETS

Fundación Jalisco is a private institution with a public interest in providing leadership in innovation and business development. It recognizes the fundamental role the rural part of the state has played in Jalisco's development, and its importance to Mexico's agricultural sector. Fundación Jalisco focuses on helping to increase the competitiveness of agricultural production chains, and on assisting businesses that are capable of adapting new technologies and knowledge.

The Fundación's three strategic pillars are:

**Innovation.** The introduction of significantly better or new production processes, commercialization methods, organization methods, internal company practices, and workplace organization.

**Inclusion.** Ensuring that society as a whole participates in generating wealth and that there is equitable wealth ownership.

**Sustainability.** Helping to maintain the viability and permanence of businesses and their networks.

### 4. INCUBATOR'S DISTINCTIVE FEATURES

- Our primary goal is to help small producers become business entrepreneurs.
- We recruit, train, and provide unlimited technical assistance to producers accepted into the *Berry Industry Development Program*, our flagship program.
- We are involved in all aspects of value creation, dedicating time, information, and resources to fruit producers.
- We have a hands-on approach and small-scale operations that target specific industries. We outsource consulting, and we manage innovations rather than create them.

### 5. BRAND AND MARKET POSITION

Fundación Jalisco's market position is secure and growing, with increased berry production and rapidly expanding demand in the United States and the United Kingdom. Jalisco's warm climate makes the berry supply especially competitive with U.S. producers in the winter months. Recognizing the benefits of a diversified portfolio, Fundación Jalisco is currently expanding production to the olive oil and cheese industries, which will strengthen its market stake and aid sustainability.

Fundación Jalisco has a reputation in Mexico for inspiring revenue-generating innovation as never before seen in the country. It is respected for the way it creates mutually beneficial associations with its producers. By contracting with Fundación Jalisco, producers have access to barrier-free markets and valuable technical assistance, which earns them higher salaries, an approach that over time will revolutionize rural production in Mexico. Fundación Jalisco

receives a great deal of positive attention from national media sources, in addition to its own publication, *Innovar Jalisco*, that advertises its new innovations and businesses. These media outlets disseminate evidence of Fundación Jalisco's successful work and will continue to have a positive effect on its market position. Fundación Jalisco's productive partnerships with quality organizations such as Fundación Chile and VitalBerry, a worldwide exporter of blueberries, have granted it access to the top echelon of agribusiness entities. This will continue to enhance the foundation's production chains and reputation.

## 6. APPROACH TO INCUBATION

Fundación Jalisco helps create opportunities by facilitating collaborations with public institutions, entrepreneurs, and society:

1. We connect technical knowledge from businesses and world markets to the needs of the Jalisco agricultural sector.
2. We bring in help from agricultural experts.
3. We promote investment in local small businesses.
4. We design high-value production chains that strengthen geographic clustering.
5. We stimulate regional development, raising the quality of life for Jalisco's residents.

The *Berry Industry Development Program*, created as a public-private partnership in 2008, incorporates 800 producers and 3,500 hectares of berries under one umbrella. It aims to attract investment and help producers develop additional business lines. The program uses a strict qualification rubric to filter the large number of prospective producers. Farmers must be solvent, have field experience, and own high-quality land, among other requirements.

Technical experts visit potential producers and produce a report and evaluation. Producers who are approved sign a commercialization contract. They receive plants and technical assistance in establishing berry gardens.

### 6.1. SERVICES PROVIDED

#### Value-added

- Access to the highest quality berry plants.
- Technical assistance from specialists.
- Orchard management skills development.
- Access to *Innovar Jalisco* magazine, which discusses innovations in agribusiness and its application to Jalisco businesses.
  - Information about future investment areas and successful production processes for potential financiers;
  - Information for customers on the quality and availability of the blueberries.
- *Program for the Development of Agribusinesses and Farmers, in process*
  - Deliver technical training and business-skill development to rural sector entrepreneurs in 124 cities in Jalisco;
  - Prompt the diversification of productive activities.

- Disseminate information about revenue generation and sustainability in agricultural production.

### **Benefits from Value Chain Interventions for Farmers**

- **Assured Commercialization**—Guaranteed market access without advertising, sales promotion, or marketing costs.
- **Training & Technical Advice**—Instruction in land preparation techniques unique to berries, garden design, and harvesting methods eliminates the need for costly trial and error, thus increasing the chance of a successful harvest.
- **Access to Genetically Superior Berry Plant**—With a genetically superior plant, producers reduce the chances of weak crop yields and low profits.
- **Financial Management Support**—Aid in managing revenues and production costs promotes long-term sustainability for the small businesses.

### **6.2. INSTITUTIONAL FRAMEWORK**

Fundación Jalisco is a nonprofit civil association with a development agenda, created by business professionals. It focuses on creating profit-earning businesses and high-value production chains. Its governance structure consists of business experts who are directly involved in its operations.

Fundación Jalisco contracts with external agents to provide technical assistance to producers. Over time, as Fundación Jalisco diversifies its agricultural businesses and expands operations, the advisory board may be less directly associated with the foundation's operations. The organization may also find it more cost-effective to hire its own technical experts.

## **7. BUSINESS MODEL**

The relatively high profitability of berry cultivation motivated Fundación Jalisco to undertake this as its first project. Studies show that one hectare of berries will yield profits of \$102,295--is 7.8 times more than one hectare of sugar cane (\$13,074 profit) and 9.8 times greater than corn (\$10,383 profit ). The rapid growth of the berry market triggered by growing U.S. demand and a climate conducive to berry cultivation made Jalisco a promising site for berry enterprises, now and in the future. Fundación Jalisco also looked into technical considerations, including fertilizer, adequate water Ph levels, quality of soil, and the willingness of local farmers to cultivate a new plant and undertake hard field labor.

The berry value chain incorporates the following steps:

- Buy berry plants from the U.S.
- Produce berry plants in a nursery for distribution to producers.
- Provide training and technical assistance to producers.
- Berry plants are received and cultivated.
- Berry harvest is gathered and packaged.
- Commercialization of product, e.g., marketing, distribution and retail.
- Product sold on domestic and international markets.

Fundación Jalisco recognized that local farmers would not purchase berry plants without knowing their yield potential. It solicited state government funds to buy berry plants from Oregon, knowing that the government would support this method of wealth generation if the berry production method proved legitimate. In 2005, Fundación Jalisco contracted with VitalBerry and Chilean consultants to develop a nursery with its own technology for the cultivation of government plants.

The nursery contract was essential to bringing commercialization capabilities to Fundación Jalisco through new associates, including VitalBerry and other stakeholders along the blueberry value chain, with experience in berry cultivation, access to markets, and technical expertise. Fundación Jalisco selected producers and provide technical assistance with the aid of subcontracts and financial assistance from SEGARPA and the Jalisco Government.

Technical assistance in this case includes training in land evaluation and preparation, planting, and harvesting methods. The results of each phase are recorded in a project database. The technical assistants use this information to produce a “Technology Packet” that helps producers strategize for subsequent plantings. The packet is also given as a record of account to SEGARPA.

While Jalisco’s government has been crucial for the Fundación’s initiatives, the relationship between these two entities is subject to the priorities of the state’s current governor. Governor Francisco Ramirez’s interest in foreign technology and innovation has been a great boost for the foundation’s goals. Subsequent governors who are less involved in Fundación Jalisco may have a different attitude toward funding the foundation’s new initiatives.

- Fundación Jalisco is implementing Fundación Chile’s portfolio diversification approach by exploring the possibility of producing crops and livestock for olive oil and cheese, as well as by producing other fruits in addition to berries. With funding from the state, Fundación Jalisco purchased olive trees from California and is cultivating an orchard under a new associate. Fundación Jalisco will be able to purchase shares and thus receive royalties for each olive tree sold.

## 8. OUTCOMES AND CONCLUSIONS

Investments in berry production have enabled Fundación Jalisco to establish:

**Vivero Usmajac**—Since July 2008, the nursery has cultivated berries for producers participating in the *Berry Industry Development Program*. The nursery covers more than 600 hectares and has one million plants in development, with the capacity to produce three million plants annually.

**Innovar Jalisco**— Fundación Jalisco’s marketing company disseminates information regarding its innovations and businesses through this magazine.

**Comercializadora de Moras de Jalisco**—This arm helps commercialize products derived from the Development Program for Berries in Jalisco.



**Olea Europea**—Garden designated for experimenting with olive-tree varieties for the production of high-quality extra virgin olive oil.

**Quesos Criollos**—An experimental goat farm that allows for the making of gourmet cheese.

## 9. CRITICAL SUCCESS FACTORS

**Local Government Support**, in the case of berries and olives, provided the initial funding needed to acquire plants for distribution to producers.

**Technical Assistance** has enabled Fundación Jalisco to clearly articulate, coordinate, and improve each service within the value chain. Technical assistance also helped Fundación Jalisco create new production instruments such as the berry nursery and cold storage. In subsidizing technical assistance, Fundación Jalisco has established a mechanism for improving crop yields, and thus profits.

**Availability** is a key component of our mission. Fundación Jalisco makes its services available to producers at all times, minimizing potential problems in the value chain.

**Early Profits** have been realized by 205 producers growing 1.4 million berry plants on 278 hectares of land, showing that the U.S. and U.K. markets are indeed profitable. Berry revenues have in turn allowed Fundación Jalisco to begin exploratory production in the olive oil and cheese industries.

## 10. LESSONS LEARNED AND IMPLICATIONS FOR AGRIBUSINESS INCUBATORS

1.) **A great idea may not generate profits; there are crucial differences between good ideas and good businesses.**

Lacking the economic resources for its own R&D, Fundación Jalisco strategically pursued market-based technologies and adapted them to meet its own needs. Agribusiness incubators developing or adapting technologies should verify their marketability to ensure revenues.

2.) **A business' most important attribute is execution.**

A successful agribusiness must create relationships with the best producers in markets corresponding to each phase of the value chain. Fundación Jalisco formed productive collaborations with Fundación Chile for technical assistance and business model design, and VitalBerry for expertise in nurseries and commercialization.

3.) **Defining the client base is key to success.**

The size of an incubator's endowment can determine the approach with which it pursues clustering. With short-term financing, Fundación Jalisco identifies individual farmers and helps them develop into profitable small businesses.

## **11. FUTURE GOALS**

Fundación Jalisco needs to attract short-term investment in the form of a 5–10 year endowment for its long-term agricultural projects. This will allow time for trees and other crops to mature and be market ready. The foundation has solicited additional funds from investors in the nursery project for its general operations.

## **12. REFERENCES**

Eric Rolf Hansen 2011 Background Case Study Fundación Jalisco in Mexico, a study conducted by Agrifood Consulting International (ACI) and Economic Transformation Group (ETG) for infoDev, Bethesda, 2011

Fundación Jalisco: "Innovacion y Desarrollo para Generar Riqueza"

Fundación Jalisco Interview Notes, February 9, 2011

Fundación Jalisco Plan Operativo Annual, Actividades 2009  
Fundación Jalisco, "Programa de Desarrollo de la Industria de Berries en Jalisco"

Informador.Com.MX, "Jalisco busca posicionarse en el Mercado de arandano"

## **13. CONTACTS**

[www.fundacionjalisco.com](http://www.fundacionjalisco.com)

Fundación Jalisco  
Francisco Conejo, Founder and Chairman  
Gustavo Sánchez, Manager  
Sergio Jimenez, Manager of Nursery  
Fundación Jalisco, Innovación y Desarrollo A.C.  
Tapalpa 40  
Vallarta Poniente  
C.P. 44110 Guadalajara, Jalisco, México  
Tel. +52 (33) 3121 4201/ 3121 4195, Ext. 124  
Email: flopezb@fundacionjalisco.com  
[www.fundacionjalisco.com](http://www.fundacionjalisco.com)





©2014 infoDev / The World Bank | 1818 H Street, NW | Washington DC, 20433  
Email: [info@infoDev.org](mailto:info@infoDev.org) | Tel + 1 202 458 8831 | Twitter: @infoDev  
[www.infodev.org](http://www.infodev.org)