The importance of meso-institutions in Brazilian coffee production

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Abstract

One of the main tendencies in the Brazilian agricultural sector is the adoption of voluntary sustainability standards (VSS). Taking this, the aim of this article is to investigate the importance of meso-institutions, certifications bodies specifically, in coffee production and to analyze their relations with Brazilian coffee producers.

Keywords: Sustainability standards, Meso-institution, Coffee production

INTRODUCTION

Sustainability can be a game where 2 + 2 = 5. This is how Elkington (1997) describes how we should insert a sustainable approach in the decisions that we make on a daily basis. As this way of thinking spreads, people recognize that profits and profitability is only one element for the successful long-term business and the economy. The question of equally is as much important as the use of natural resources and living conditions for people (Kleindorfer et al. 2005). Aiming to include these factors Elkington (1997) define a *triple bottom line* (Figure 1). According to this concept, to be sustainable an organization or business must be financially viable, socially fair and environmentally responsible. That will allow to think about the future in a broader and more comprehensive way.

Figure 1- triple bottom line. Source: http://solutions.3m.com/wps/portal/3M/. Accessed in 10/10/2015

In this sense, retailers are looking to differentiate their brands through eco-labeling, for example (Sogn-Grundvåg et al. 2014). The objective of this differentiation is to offer in the market a supply similar to that available in a sector and with some difficulty to be imitated by competitors (Raynaud and Valceschini, 2007). This happens in response to increased consumer interest in knowing what are the implications of its consumption through information on how food is produced (Briggeman and Lusk 2011). The consumptions not only based on economic factors (such as price and appearance), but also in intrinsic factors such as social and environmental responsibility in food production (Kimura et al. 2012). According to Cunha et al (2011) intrinsic factors are those attributes that can not be viewed by the consumer. These factors raise the importance of meso-institutions by encouraging the consumption of foods with sustainable certification (Chkanikova and Mont, 2012).

So, the aim of this paper is to investigate the real importance of meso-institutions in the production of sustainable coffee and analyze their relationship with Brazilian coffee producers

The paper is organized in five sections. The first is the introduction displayed. The section 2 provides the theoretical background of this work. In section 3, the method for the study is explained. In Section 4, is showed the results of the research and in section 5 the discussion of this paper.

THEORETICAL BACKGROUND

Institution are formal and informal rules and behaviors that guide the society, including the economy (North 1994). These rules show what to do or not do in each circumstances (Dequech 2012). In case of meso-institutions, the concept has some peculiarities. According to Ménard (2014):

> "Meso-institutions are are devices embedded in and legitimized by the inclusive societal institutions, devices that are in charge of actually implementing the general rules of the game through their translation into rules specific to sectors and/or geographic areas, thus framing and

> delineating the domain of activities of actors (individuals as well as organizational arrangements) operating within these rules. Public bureaus, regulatory agencies, specialized arbitration devices provide illustrations of meso-institutions ".

In case of sustainable coffee, a credence good, meso-institutions are important in providing certification and decrease asymmetrical information.

An example of meso-institution in the Brazilian agribusiness is Imaflora. According to the organization's website: "The Institute of Agricultural and Forest Management and Certification - Imaflora - is a civil non-profit association, founded in Piracicaba in 1995. He was create under the premise that the best way to save rainforests is attribute to them an economic destination, combined with good management practices and responsible management of natural resources. From this perspective, Imaflora believes that environmental certification is one of the tools that respond to part of the challenge powerfully inducing local sustainable development in forestry and agriculture. At the same time, the Institute aims to influence the supply chains of products from forest and agricultural sources; contribute to the development and implementation of public policies and, finally, do the difference in the regions where it operates. It would be possible through the creation of models of land use and sustainable development that can be replicated in other municipalities, regions or biomes in the country ". This institute is responsible for the certification Rainforest Alliance Certified in Brazil.

Regarding coffee production, Brazil is one of the biggest exporters of coffee in the world. According to the Agricultural Outlook 2015-2024 report released on July of 2015 by the Food and Agriculture Organization (FAO) and the Organization for Economic Cooperation and Development (OECD) the country is the leading supplier of coffee.

According to MAPA (Ministério da Agricultura, Pecuária e Abastecimento - Ministry of Agriculture, Livestock and Food Supply) data, coffee production in Brazil in 2014 it accounted for about 32% of total world production, making the country the world's largest coffee producer. In addition, according to ABIC (Associação Brasileira da Indústria de Café - Brazilian Coffee Industry Association), Brazil is also the world's largest consumer of coffee (in kg of coffee), with an annual consumption of about 1200 million kg of coffee.

Brazil also appears as a protagonist in world production of sustainable coffee. Wal-Mart, one of the biggest retailers in the world, buy all its six own brands of sustainable coffee directly from Brazilian producers (Elder et al. 2014).

Furthermore, it is important to note that the average rate annual growth of sustainable coffee sales has been significantly higher than the annual growth of conventional coffee sales (Potts & Sanctuary, 2010). Based on Potts et al (2010), Elder (2014) shows (Figure 2) the evolution of sales of sustainable coffee.

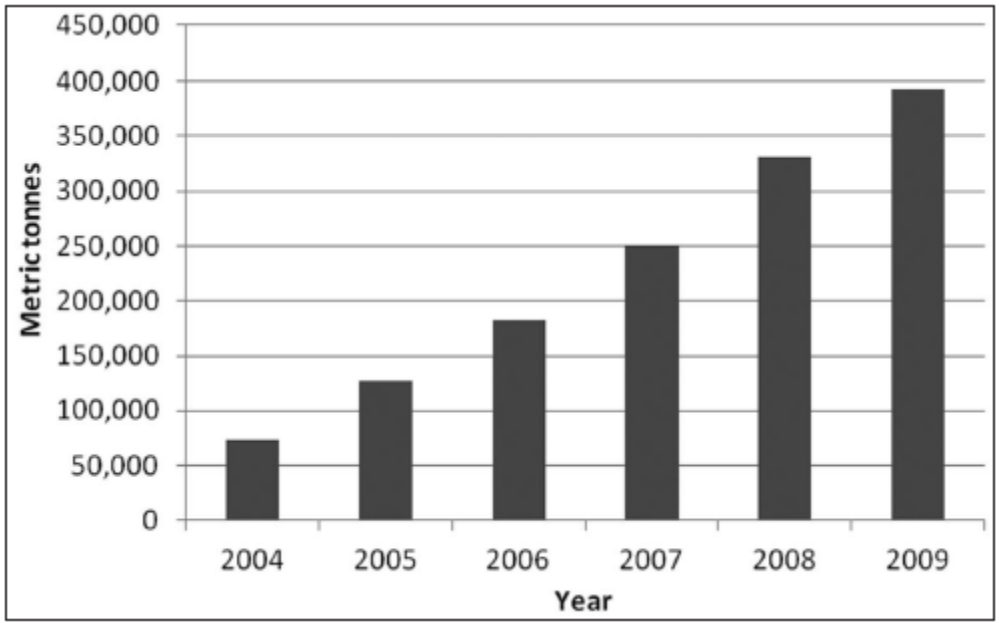

Figure 2 - Evolution of sustainable coffee sales. Source: Elder (2014)

Vorley (2003) argue that sustainable certification can be a barrier to entry for small farmers, and it can exclude many of them of the value chain. However, according to Fitter and Kaplinksy (2001) the adoption of sustainable criteria should be made only after an investigation of the impact of these criteria on all productive agents of the chain. These facts shows that is necessary deep more the understanding of the value chain.

In these terms, the increasing globalization of regional and global production network requires a change in analysis of production because the global economy is based on the interaction of large commercial companies with small subcontractors, usually located in less developed countries (Barrientos et al. 2010). Thus an analysis of the global value chain make possible characterize the creation, differentiation and value capture throughout the entire production process (Gereffi et al. 2005).

From this analysis Barrientos et al (2010) shows that there is a disparity between the focus of the company, which deals with the work only as a factor of production, and the focus of labor rights. These differences are addressed by the author as the two levels that characterize the different dimensions of work. The first, focused on the company, see the worker as calculable value of production factor and the second focused on labor rights, sees it as a social agent, giving greater focus to their well-being in terms of wages and rights.

In order to understand and integrate each of these outbreaks Barrientos et al (2010) uses the concept of global production network (GPN) which aims to make a deeper description of the institutional environment, analyzing factors such as processes, distribution of value and labor relations.

Mayer and Pickles (2010) shows that economic improvements do not necessarily lead to social improvements. In these context, one of the most important challenge of GPN is to find ways to make interventions that generate benefits for workers and poor producers located in different countries (Barrientos et al. 2010).

All of this analysis can be done in the case of sustainable coffee production. Cunha et al (2011) argue that products that incorporated sustainable attributes had a higher added value. But some studies indicate that there is greater inequality in the distribution of the gains along the value chains of food with certified sustainable than conventional food (Calo and Wise, 2005, Daviron and Gibbon, 2002). This indicates that from one side there is the action of retailers differentiating products traded from the "flag" of sustainability and the other there is the question of the relationship retailers with sustainable goods producers.

At this point entering the certification meso-institutions. It is important to know what the real importance of meso-institutions for sustainable production of Brazilian coffee.

METHODOLOGY

The unit of analysis that research will be the relationship between the certifying meso-institution and sustainable coffee producers during the certification process.

The analysis was based on secondary data. Regarding the data collection instrument, the authors collect the information directly from the meso-institution's website, along with technical documents and standards it makes available to the public. With them it was possible to construct a first draft of the certification process flowchart.

The flowchart was prepared using the software Bizagi, a block diagram. In this diagram beyond the production flowchart is also shown who is responsible for each activity. After finished the flowchart has been reviewed and validated by a member of the association.

RESULTS AND DISCUSSION

For this work was decided to perform the mapping of the flow to the inclusion of a producer in the 4C Association. The reason for this choice is that although this pattern has less stringent requirements sustainable compared to the main international certificates, it ends up serving as the port of entry to other standards such as Rainforest Alliance Certified or Utz Certified. This happens because the 4C Association promotes other market sustainability standards for its members, helping and encouraging producers to prepare for other more demanding certifications.

Based on the information collected on the association's website it was possible to create the flowchart of Figure 3:

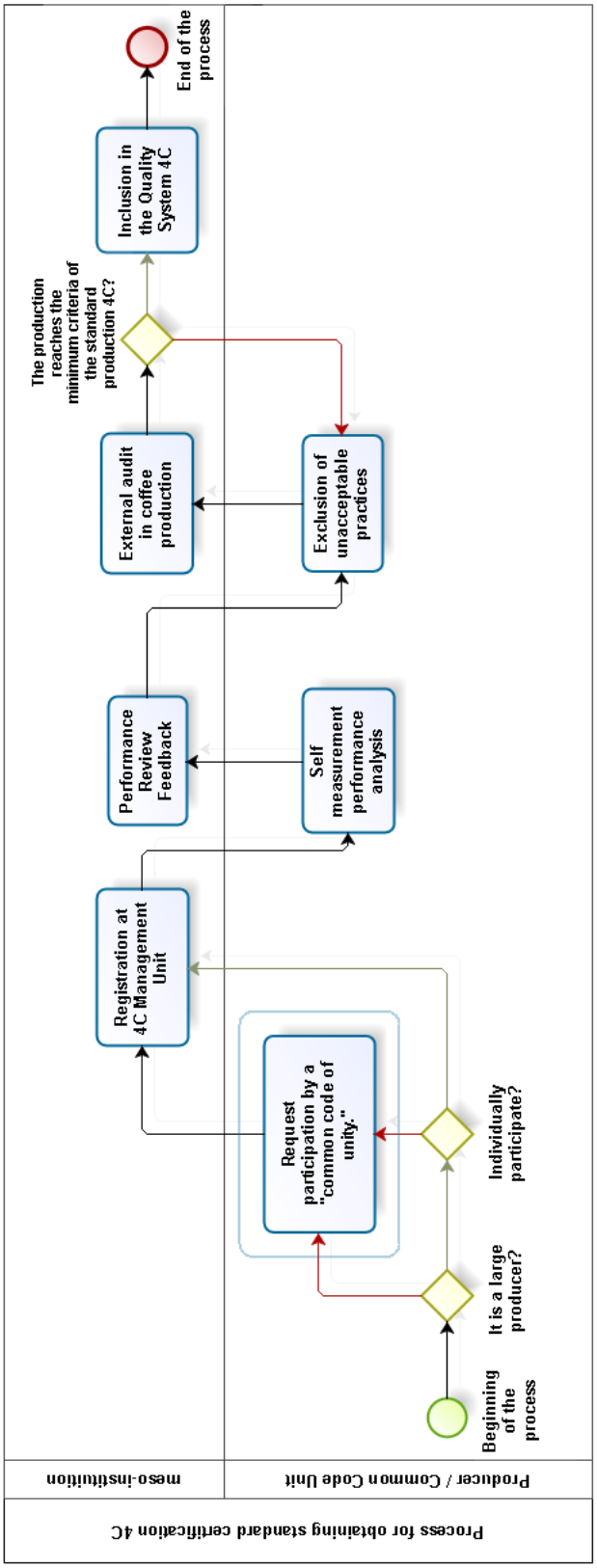

Figure 3 - Flowchart for obtaining standard certification 4C

By the process flow above, you can see that the main interaction between the meso-institution and coffee producer occurs on feedback from auto performance of accomplishment analysis. At this point the producers received guidance of actual changes needed to be part of the 4C Association. This feedback emphasis on exclusion of unacceptable practices that the producer may be performing during production. Unacceptable practices are those that go beyond the minimum criteria for the producer to be part of the association.

The Totum Institute is the institution responsible for managing the selection process of the 4C Association entrants in Brazil since august 2007 and has contributed to publicize the program among coffee producers. Besides the feedback of the self-evaluation, this meso-institution also contributes to the development of sustainable coffee production with training and workshops for members of the association and potential entrants, in addition technical support to cooperatives, exporters and producers (associated or interested in this initiative).

A next step that can be taken from this paper is to analyze directly with coffee farmers the changes that this association brought, such as possible increases in economic performance of the business and social and environmental improvements.

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