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“Development on the margin”

Standards and Contracts between Small-scale Pineapple Farmers and Exporters in the Huetar Norte Region of Costa Rica

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Abstract

Nowadays global agricultural markets are experiencing an increase in the concentration of the retail sector and in the importance and complexity of standards. These two trends are causing developing countries to modify their farming systems, switching from spot market transactions to vertical coordination in order to access high value supply chains and fulfil volume and quality requirements.

The present study evaluates the relationships that arise between small pineapple producers and exporters in Costa Rica and the factors influencing contract and standard adoption. Research data was collected on 173 households in the Huetar Norte region of the country, where most of the small producers are located. The surveyed farmers trade with the exporters under signed contracts or verbal agreements and hold process standard certification, mainly GlobalGAP and RFA. A control group of farmers who trade without a prior agreement and have no standard certification was also interviewed.

A picture of the sector and the risks farmers face when entering in a cash crop production system is described. An ANOVA or non-parametric test analysis was done to find out the differences on the characteristics of households engaging in vertical coordination and the characteristics of the contractual relationships and a probit analysis was carried out to determine to which extent different factors influence standard adoption. Finally a factor analysis was done to identify farmers trust and loyalty towards the firm they contract with, and their attitude towards standard certification, factors that may influence the sustainability of the value chain. The results show that vertical coordination is linked to standard certification and that there are statistical significant differences in terms of farmers and relationship characteristics when comparing signed contracts, verbal agreements and no agreement. Trust and loyalty towards the firm vary among the sampled farmers.

Keywords: Attitudes, contracts, Costa Rica, pineapple, small-scale farmers, standards, value chain