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Transaction Costs in Cassava Production Chain: the Case of Araguaia Valley Region (Goiás State, Brazil)

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Abstract

The objective of this study was to research the cassava production chain in Araguaia Valley Region (Goiás state, Brazil) from the perspective of the Transaction Costs Economics. The Araguaia Valley Region comprises the municipalities of Aruanã, Britânia, Buriti de Goiás, Córrego do Ouro, Fazenda Nova, Itapirapuã, Jussara, Matrinchã, Montes Claros de Goiás, Novo Brasil e Santa Fé de Goiás. The region has an area of 18,451 square kilometers and a population of about 72,000 inhabitants (26 % living in rural areas). Therefore, primary data were collected through field research, using two separate semistructured questionnaires, with open and closed questions. The first questionnaire was used to interview family farmers, and the second one for other regional agents of the cassava production chain. In total 101 questionnaires were filled out. This sample included 73 small cassava producers, 14 local retailers who sell cassava and its derivate products, 13 small cassava processors and one wholesaler. The cassava production chain has strong social and economic importance in the Araguaia Valley Region. Almost all small farmers of the study region cultivate cassava. Cassava is produced for self-consumption and marketing of surplus production. Most of transactions are done on spot market. The main transaction costs are mainly related to high asset specificity, bringing up hierarchical or hybrid governance structures of transactions. 90 % of transactions are done in informal spot market transactions, which leads to inefficient management of transaction costs. Agent reputation arises as a mechanism to diminish transaction costs, since transactions occur with high frequency. Uncertainty is mainly related to climatic conditions as well as lack of information on new potential marketing partners.

Keywords: Family farming, governance structures, new institutional economics