



Tropentag 2019, Kassel, Germany
September 18-20, 2019

TRANSACTION COSTS IN CASSAVA PRODUCTION CHAIN: THE CASE OF ARAGUAIA VALLEY REGION (GOIAS STATE, BRAZIL)

Oliveira Junior, Osmar de Paula¹, Cleonice Borges de Souza¹, José Elenilson Cruz¹, Alcido Elenor Wander^{1,2,3}, and Cleyzer Adrian da Cunha¹

¹ Federal University of Goiás (UFG), Goiânia-GO, Brazil.

² Embrapa Rice and Beans, Rodovia GO-462, Km 12, 75375-000 Santo Antonio de Goiás-GO, Brazil. Email alcido.wander@embrapa.br.

³ Centro Universitário Alves Faria (UNIALFA), Goiânia-GO, Brazil.

OBJECTIVE

To research the cassava production chain in Araguaia Valley Region (Goiás state, Brazil) from the perspective of the Transaction Costs Economics.

METHODOLOGY

The Araguaia Valley includes the municipalities of Aruana, Britania, Buriti de Goiás, Corrego do Ouro, Fazenda Nova, Itapirapua, Jussara, Matrincha, Montes Claros de Goiás, Novo Brasil and Santa Fe de Goiás. The region has an area of 18,451 skm and 72,000 inhabitants (26% is rural). Data collection through field survey with 2 questionnaires: (1) farmers; and (2) other regional agents of the cassava production chain. Database: 101 questionnaires (73 farmers, 14 local retailers (sellers of cassava and its derivatives), 13 cassava processors and 01 wholesaler).

RESULTS AND DISCUSSION

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, mostly without contracts:

- 82.2% of farmers;
- 92.3% of processors;
- 42.9% of retailers (57.1% use contractual resources in their transactions cite contracts with municipal governments, PNAE and business clients);
- The wholesaler does not trade via contracts.

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.

Table 1 – Governance structures in cassava chain in Araguaia Valley (Goiás state, Brazil).

Market	Hierarchy	Hybrid
- Isolated transactions done on spot market	- Farmers and farmers processing cassava into flour - Factory growing cassava for their supply	Contracts: - Farmer x PAA and PNAE - Farmer x Local Government - Farmer x Intermediary - Factory x PNAE - Retailer x PNAE - Retailer x Business customer - Retailer x Local Government

Source: Field research.

CONCLUSIONS AND OUTLOOK

- 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.

REFERENCES

Please check full paper for full list of references (Abstract ID 91).

ACKNOWLEDGEMENT

This research was supported by German Academic Exchange Service (DAAD) and by *Fundação de Amparo à Pesquisa do Estado de Goiás (FAPEG)*.