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Governance structures of tomato purchases in Goiás, Brazil: A multi-season study on hybrid arrangements

RAFAEL PACHECO CORREIA¹, VICTOR AUGUSTO NOGUEIRA CORREIA¹, ALCIDO ELENOR WANDER²

¹*Federal University of Goiás (UFG), Brazil*

²*Brazilian Agricultural Research Corporation (EMBRAPA), Brazil*

Abstract

This paper aims to analyse the main governance structures used by fresh tomato distributors in Goiás state, Brazil. Goiás is one major fresh tomato producer in Brazil. In 2023, the state produced approximately 20 % of Brazilian production, with average yields of 90 t ha⁻¹, using irrigation. Based on the New Institutional Economics approach, the multi-case study investigates the governance processes involved in acquiring fresh tomatoes by companies in the sector located in the state's main producing regions. The field research included direct observation and interviews with producers (sellers) and buyers. It is found that the governance structure is predominantly hybrid or contractual, in which informal mechanisms, such as trust, confidence and relational networks often complement formal contracts. The risks and specificities of tomato purchases by distributors in the state capital Goiânia and the surrounding region are influenced by factors such as location, competition, length of relationship with producers and investments in infrastructure. Vertical integration, adopted by some distributors through their greenhouses, is a strategy to guarantee product quality and serve specific market niches. Most distributors reported low moral hazard in negotiations, with few cases of unreliable suppliers. The use of the spot market to purchase tomatoes was rare, being more common only in urgent situations or regions with an ample supply of the product. The sale of tomatoes that do not meet market standards to the extract industry was indicated as essential for some distributors but with reduced profit margins due to the lower price paid by these buyers. In regions with greater competition for buying the produced fresh tomatoes, more flexible and complex arrangements are formed, characterised by long-term relationships and informal coordination, which go beyond simple contractual formalisations. However, competition, pests and diseases, and variations in quality and price still affect marketing. These results reflect the specificities of the sector and the strategies to mitigate transaction costs in a market characterised by seasonality and high product perishability.

Keywords: Arrangements, fresh tomato, governance, transaction cost