

THE PROCESS OF COORDINATION IN THE AGROINDUSTRIAL SYSTEM OF SPECIALTY COFFEE

O processo de coordenação no sistema agro-industrial de café especializado

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Abstract: The associations are important to support farmers who wish to trade on agroindustrial systems, playing a coordinating officer role. Due to the increasing number of associations in the agroindustrial system of specialty coffee in Brazil, demand is created by studies that describe the role of these associations in support of the business of its members. It has developed as a general goal, describe and analyze the role of a growers association in supporting the business of Brazilian producers of specialty coffees. We conducted a case study that examined both the influence of the actions of this association in the affairs of its members as externalities generated to Brazilian producers of specialty coffees. It appears that the organization studied is evidence of an important coordinating officer to support businesses in agribusiness systems. The findings of the study ratify the theory that this type of organization contributes to the buildup of trust among partners, lessens information asymmetry and reduces transaction costs.

Keywords: agroindustrial systems, specialty coffee, rural development and agribusiness

Resumo: As associações são importantes para dar apoio a produtores rurais que desejam negociar em sistemas agroindustriais, exercendo um papel de agente de coordenação. Em função do aumento do número de associações no sistema agroindustrial de cafés especiais no Brasil, cria-se uma demanda por estudos que descrevam o papel dessas associações no suporte aos negócios de seus membros. O objetivo geral é descrever e analisar o papel de uma associação de cafeicultores no suporte aos negócios dos produtores brasileiros de cafés especiais. Foi realizado um estudo de caso que analisou tanto a influência das ações dessa associação nos negócios dos seus associados quanto as externalidades geradas aos produtores brasileiros de cafés especiais. Constata-se que a organização estudada é uma evidência de um agente de coordenação importante para dar suporte a negócios em sistemas agroindustriais. Os resultados deste estudo confirmam a teoria de que este tipo de organização contribui para a construção de confiança entre os agentes, diminuindo a assimetria de informação e reduzindo os custos de transação.

Palavras-chave: sistema agroindustrial, cafés especiais, desenvolvimento rural e agronegócios

JEL: L11

Introduction

In Brazil, the regulation of the coffee market involved a form of negotiation that was unfavorable for the production of quality coffees, also given the fact that volume was favored to the detriment of value differentiation in terms of quality. Due to that, among others, Brazilian grower's strategies prioritized the production of quantity. If we analyze the regulation of the coffee market in Brazil since the early 19th century is obvious that the regulation plays an essential part in the flow of economic activities. Brazil's coffee market was marked by forceful government intervention. On the other hand, with the deregulation toward the late 20th century, a new scenario emerged, with a pursuit for investments in differentiation strategies. In fact, the breakup of International Coffee Agreements, the extinction of the Brazilian Coffee Institute and the end of official even pricing influenced the creation of a new competitive scenario. In the late 20th century, there was a latent demand for actions oriented toward differentiation and promotion of the quality of Brazilian specialty coffees in the world market (Barra and Machado, 2012).

Since that, the specialty coffee market is in constant expansion. The deregulation of the coffee market promoted the creation of a new institutional scenario, with a pursuit for investments in differentiation strategies and the creation of business associations oriented toward implementing them. With the changes in the institutional and competitive environment, associations are gradually reformulating their strategies and beginning to address their members as customers. To that end, they are seeking to provide members with suitable institutional support for generation of new business deals, increased gains and maintenance of the existing business.

A new trend is emerging, driven by growth of the specialty coffee market. In Brazil, the support of the Brazil Specialty Coffee Association (BSCA) in the business of its members has been significant. This organization has played an important role by promoting the image of Brazilian coffee in the international coffee market. The objective of this paper is to discuss the role of the BSCA by promoting the image of Brazilian coffee in the World coffee market and verify the support on the business of the Brazilian producers of specialty coffee.

It is thus appropriate to discuss the growing role of associations of Brazilian coffee, placing emphasis on the support that these organizations offer to their members to allow them to work in the specialty coffee market. The purpose of this research is to discuss the role of an association in the support to its members as well as its influence on Brazilian specialty coffee growers. We implemented a case study involving an association of Brazilian coffee growers. As a function of the positive perception of members as to the role of the association as a facilitating agent for these new types of business, the findings of the research study ratify the theory that this type of organization contributes to the buildup of trust among partners, lessens information asymmetry and reduces transaction costs.

The discussion in this research demonstrates that, in order to understand the role of business associations in the support to specialty coffee growers, we need to put them into the institutional environment context. In deregulated markets, the case studied reveals that initiatives from business associations are essential to develop opportunities in distribution channels composed of customers willing to pay a premium for the product.

This paper examines how a coffee farmers association has been influencing performance gains and institutionalizing best production practices. Section 2 briefly

reviews theories linking New Institutional Economics. Section 3 presents method. Section 4 presents the results of research that investigated the role of an association in the support to its members as well as its influence on Brazilian specialty coffee growers; Section 5 presents role of associations in the coordination of Agroindustrial Systems. In the final section, we draw some general conclusions.

2. Transaction Cost Economics

The theoretical framework of this paper is based on Transaction Cost Economics (TCE). Authors as Williamson (1985) and North (1994) and so on illuminated the theoretical discussion. Williamson (2000) proposes levels of analysis to study economic organizations that overlap because they are interrelated. Economic organizations at the lowest level (fourth level) are characterized by continuous evolution. At this level are the contributions of neoclassical economic theory/agency theory. The third level is composed of governance, where the characteristics of transactions between economic agents are analyzed. At this level, the object of analysis is focused on the governance structure, whose evolution occurs between 1 and 10 years, worthy of note is Williamson's study on TCE. The second level is composed of the institutional environment, where the formal rules of the game are found. At this level, the object of analysis is the formal institutions that are treated as rules of the game, as approached by North, whose evolution occurs between decades and a century. The first level is composed of informal institutions, customs and traditions, whose object of analysis focuses on the formation of a rooted social structure, in which evolution occurs between centuries and millennia. It is at this level that the concept of embeddedness is found and where the contributions of Granovetter (1985) are positioned.

The New Institutional Economy is an economic current that emerged as a reaction to the assumptions of neoclassical theory. The New Institutional Economy makes it possible to understand certain phenomena that are not relevant to neoclassical theory, since neoclassical economists do not emphasize the role of the institutional environment. Coase (1937) established the theoretical basis of the New Institutional Economy in his classic article on the firm. Coase (1937) proposed the break with the restricted view of the firm, showing that, in addition to production costs, there are other costs to coordinate economic activities, transaction costs.

According North (1993), the main function of institutions in a society is to reduce uncertainty by establishing a stable structure for human interaction. According Williamson (1985) institutions are the foundation of the New Institutional Economy. According North (1994), organizations are the "players" and institutions are the "rules of the game".

There are two analytical aspects of the New Institutional Economy applicable to the study of organizations. The North side has a macro-developmental nature, focusing on the genesis, structuring and changes of institutions. In addition to North, the work of Mattheus is noteworthy. The Williamson strand on TCE is of a micro-institutional nature and studies the explanatory nature of the institutional arrangements. Besides Williamson, the work of Demsetz, Barzel and Menard deserves special mention (Zylbersztajn, 2005).

The TCE allows the establishment of a relationship between the attributes of the transactions with the most efficient forms of organization in terms of transaction costs and production costs. It is assumed that the definition of the most efficient form of governance will be a consequence of the attributes of the transactions and of the

parameters established by the institutional environment in which the firm is inserted. There are three groups of conditioning factors of the efficient forms of governance: the behavioral assumptions, the characteristics of the transaction and the institutional environment. Behavioral assumptions are opportunism and limited rationality. The factors that make up the characteristics of the transaction are frequency, uncertainty and asset specificity. The institutional environment is composed of factors such as legal tradition, cultural aspects, among others. Thus, based on the firm's operating conditions, it is possible to define the most efficient form of governance, either via the market, through vertical integration or through hybrid forms (Zylbersztajn, 1995).

It is essential to understand the impact of the limited rationality and the opportunism in the transactions. Such assumptions influence the behavior of individuals, generating impacts on the development of transactions between agents, on transaction costs and on the establishment of forms of governance. Limited rationality is related to the limitations of individuals processing information. By the limited rationality of individuals, it is not possible to predict all the contingencies of a transaction in the future. Thus, it is assumed that the contracts to manage the transactions are incomplete, since it is not possible to predict all the possibilities of events of a transaction (Farina et al., 1997). Opportunism occurs when the individual seeks self-interest by breaking accepted ethical conduct in society. However, does not assume that every individual is opportunistic, nor does the individual always act opportunistically. Only the possibility of opportunistic behavior at some point in the future is enough to derive predictions from this theory (Zylbersztajn, 2000).

Transactions are characterized by incomplete, imperfect and asymmetric information. Such a consideration occurs because the agents involved in the transaction may be uneven in relation to the knowledge of what may occur in relation to the transaction developed. Asymmetric information can lead to opportunism before and after the transaction, called adverse selection and moral hazard. The greater the asymmetry of information between the parties in the transaction, the greater the possibility of opportunistic behavior (Neves, 2000).

Williamson (1985) relies on three dimensions of the transaction to establish its characterization: asset specificities, frequency, and uncertainty. Specific assets are those assets characterized by being specialized for a given transaction and having their value established as a function of the continuation of that transaction. The investment in these assets is subject to adaptation problems and risks in the future, generating transaction costs. The increase in transaction costs is related to higher levels of asset specificities.

The frequency is related to the number of repetitions of the same type of transaction. (Farina et al., 1997). With the process of repeating transactions between agents, it is possible to develop reputation by attributing value to the non-opportunistic behavior of these agents. It is thus possible to reduce contract preparation and monitoring costs through changes to the contractual safeguards clauses. As a result, transaction costs are reduced (Zylbersztajn, 2005). The uncertainty, for Farina et al. (1997), has the function of revealing the limits of rationality. In this sense, the characteristics of the contracts are incomplete are evidenced, demonstrating that this dimension is interrelated to the behavioral assumption of limited rationality.

There is the possibility of the occurrence of post-contractual opportunism in terms of the concepts of limited rationality and opportunism. There is, therefore, the need to configure safeguards that may be formal or informal (Zylbersztajn, 2005). Opportunism spreads itself in environments with information asymmetry, consequently increasing transaction costs (Williamson, 1985). Contracts help reduce

instability and decrease the risk of opportunism. However, in view of limited rationality, all contracts are incomplete (Williamson, 1996).

By treating the dimensions of transactions as parameters, for Williamson (1991), the governance form will be selected, based on a level of asset specificity, according to the comparison of the costs of establishing the transaction in the market through the hierarchy or by hybrid forms. According to this author, there is a continuum between the two ends market and hierarchy, positioning the hybrid forms within that interleaving.

The institutional theory was revisited, systematizing a theoretical analysis to be applied to studies of agri-food supply chain (Barra and Bronzo, 2016). Based on the study of institutional theories, the historical context of the institutional environment of the coffee agribusiness system in Brazil took place. It was shown that TCE produces an analysis of these collective actions consistent from the conceptual point of view. In recent research about Agroindustrial Systems, the TCE was revisited (Caleman *et al.*, 2009; Caleman, 2010; Winkler, 2013; Watanabe e Zylbersztajn, 2014).

3. Methodology

In this paper, we implemented a case study involving an association of Brazilian coffee growers. In the initial stage, we collected and handled qualitative data. This stage involved an exploratory study, generating information that was used to structure the questionnaire applied in the following stage. The second stage comprised collection and handling of quantitative data.

To start with, we reconstructed the association's history. Next, we investigated the perception of its members as to how it influenced their business.

In the initial stage, we made documental analysis and personal interviews with the association's executive director, president and eight members. The analyzed documents included scientific publications, the association's code of conduct, publications in the press, folders, promotional material and the association's web site. In the next stage, we submitted a structured questionnaire to all members by standard mail, 45 coffee growers, of whom 35 replied.

The questionnaire was formatted on a 5-point Likert scale and is intended to capture the perception of the members to the actions of the BSCA (Brazil Specialty Coffee Association) concerning: (1) reputation, (2) joint marketing, (3) collective learning, (4) quality assurance label/certificate and (5) members performance. For each of the first four variables we set 4 questions and for the performance variable we set 7 questions.

After their preparation, we submitted the questionnaire to specialists for assessment. We then applied a pre-test. After some adjustments, we forwarded the questionnaire to the relevant people. The data obtained was handled using descriptive statistics.

Analyze performed using these statistical methods were developed in the software Statistical Package for the Social Sciences (SPSS), version 20.0. The data were treated by statistical techniques according to the theoretical guidelines of Hair jr. et al. (2009) and Malhotra (2015).

Based in this section, we devised a conceptual framework of analysis for an empirical and synthesized study, according to Figure 1.

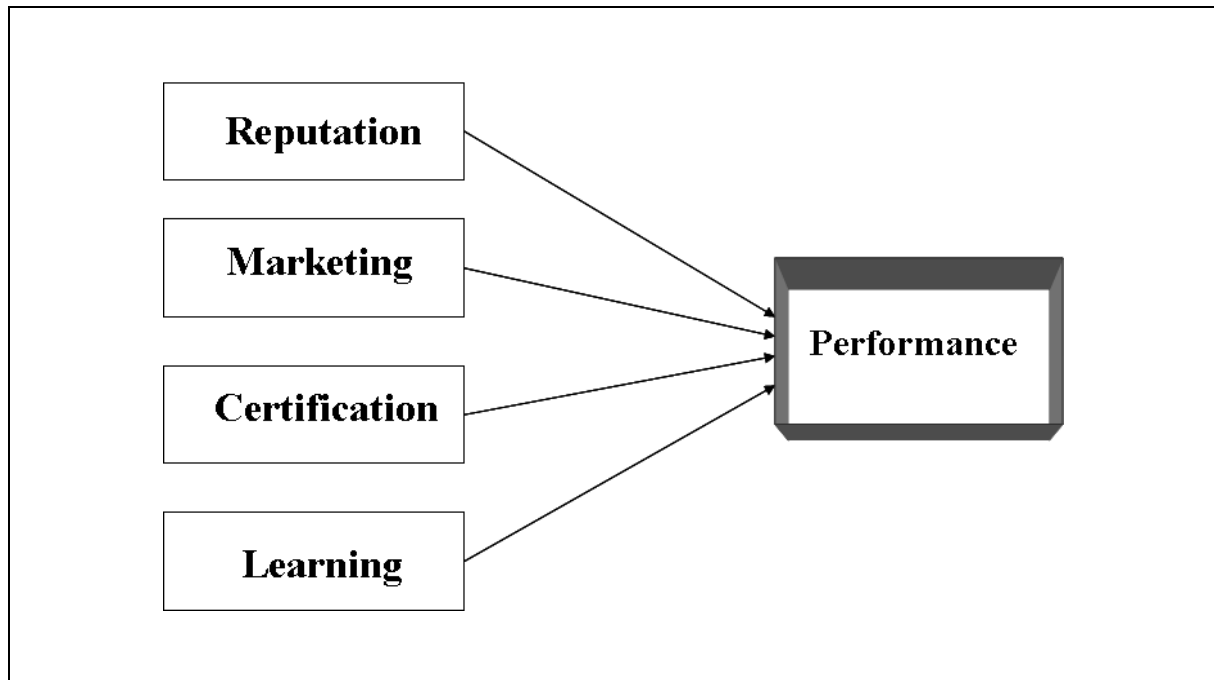


Figure 1: Conceptual Framework of Analysis

4. Findings

The BSCA is a Brazilian association of coffee growers focused on the production of specialty coffees. The BSCA was founded in 1991. Since then, this association has been the representative of its members in the coffee market.

There was a demand for actions of marketing oriented toward differentiation and promotion of Brazilian specialty coffees in the world market. In view of that demand, this association launched a Marketing Plan for Brazilian Specialty Coffees comprising the following actions: Brazilian Quality Coffee Competition, Seller Project, Buyer Project, *Barista* Championship, Quality Certification, International Fairs and International Consultants in Marketing.

The BSCA has coordinated and participated of fairs, expositions and other events in Brazil and in the World, as well as organizing the International Consultants in Marketing. The organization also promotes the exchange of experiences, information and technology among its members companies. The most important asset to the BSCA is that it has an independent company certify the lots that are shipped to ensure product quality and to preserve BSCA's classification.

The perception of members as to the role of the associations in their business affairs was verified through the tabulation of data from answered questionnaires. According to the findings, a considerable number of those interviewed agreed to the importance of collective marketing for the development of business (table 1).

Table 1 – Joint Marketing

	totally disagree	disagree in part	neither agree nor disagree	agree in part	totally agree
The competitions, the fairs, the visits of buyers, the commercial missions carried out by BSCA facilitate the development of new contacts in the market of special coffees.	5,71%	2,86%	14,29%	31,43%	45,71%
The competitions, the fairs, the visits of buyers, the commercial missions carried out by BSCA are a competitive differential for the members of BSCA in relation to other coffee growers.	5,71%	2,86%	8,57%	25,71%	57,14%
Competitions, fairs, buyer visits, commercial missions by BSCA can influence the generation of new business.	2,86%	0,00%	8,57%	45,71%	42,86%
The competitions, the fairs, the visits of buyers, the commercial missions carried out by BSCA facilitate the maintenance of the existing businesses.	8,57%	2,86%	11,43%	37,14%	40,00%

Source: BSCA (2006).

Since 2000, the BSCA has established a Social Environmental Management Systems for Specialty Coffee Production. This standard presents specifications that guide the production process of its members. The certified producer has the right to commercialize the certified product and to use BSCA's trademark in their products. The certificate is a tool that reduces transaction costs and can improve market performance. After a process of certification of the member's products, the BSCA provides the Specialty Coffee Certificate.

The opportunity of a negotiator presentation an opportunistic behavior is attenuated or avoided by using certificates. Certification facilitates decrease transaction costs since they provide buyers with information in a way that is conscious and reliable. Certification is used coffee market to attest to the attributes of coffee when companies adopt standards that require the adoption of differentiated attributes. So, certification coffee reduces information asymmetry, ensuring that a coffee conforms to the specifications. Certificates are crucial to enter certain specialty coffee drinking countries, where there is great concern with quality, food safety and sustainability. In sum, these mechanisms contribute to lessen information asymmetries and, consequently, to reduce transaction costs in sustainable coffee market. Certification and Quality signaling mechanisms are crucial to enter certain specialty coffee drinking countries, where there is great concern with quality, food safety and sustainability. In fact, code of conduct, certificates, quality assurance labels, brand and traceability contribute to lessen information asymmetries and, consequently, to reduce transaction costs in specialty coffee market (Barra & Machado, 2014).

The BSCA members intend to establish an image of producers that focus quality, aligning productive practices with deep concern over the environmental and social issues. The traceability is another differential aimed by the BSCA members. The BSCA has promoted an environment with good reputation and institutional stability among its members.

Traceability process follows the guidelines in the Code of Conduct, establishing that the coffee must be identified and traced throughout the entire process production.

According to Code of Conduct, it is possible to trace successive stages back to the origin by using a quality label number. The association’s web site provides further information on the traceability of a certified product. The members’ specialty coffees are guaranteed by a quality assurance certificate, which is issued by the association following assessment of the coffee lot. The granting of a quality assurance certificate and label is conditional on the BSCA assessment, which complies with an internationally recognized methodology (BARRA, et al. 2006).

The perception of members as to the role of the association in their business affairs was verified through the tabulation of data from answered questionnaires. According to the findings, a considerable number of those interviewed agreed to the importance of Certification for the development of business (table 3).

Table 3 – Quality signaling mechanisms (Certification)

	totally disagree	disagree in part	neither agree nor disagree	agree in part	totally agree
BSCA's quality seal enhances buyer's confidence in the quality of the product provided	5,71%	5,71%	0,00%	25,71%	62,86%
BSCA's quality seal facilitates the generation of new business.	8,57%	8,57%	20,00%	25,71%	37,14%
BSCA's quality seal facilitates the maintenance of existing businesses.	11,43%	2,86%	20,00%	37,14%	28,57%
Buyers now have greater confidence in the company when it receives the BSCA certificate.	2,86%	8,57%	2,86%	31,43%	54,29%

Source: BSCA (2006).

Some BSCA members to export specialty green coffee beans with specified origin, while others are managing to add value to their products by marketing specialty roasted ground coffee. The specialty coffee is packed and sold carrying the member’s own brand. When the coffee is commercialized carrying the member’s own brand it becomes possible to value the origin and guarantee traceability until the product reaches the end user. The commercialization of coffees carrying the member’s own brand and/or specified origin facilitates the establishment of long-term relationships with buyers. By developing incentive and control mechanisms based on process standards and conduct assured by independent auditing, BSCA ensure trust and reputation, which are essential elements in the commercialization in specialty coffee market. The institutional support provided by BSCA in specialty coffee market is an important element in provisioning competitive power, since these organizations help build up trust among members, lessen information asymmetries and reduce transaction costs (Barra & Machado, 2014).

According to the findings, a considerable number of those interviewed agreed to the importance of reputation, for the development of business (table 2).

Reputation is an alternative for complementing contracts. Reputation is essential coffee market, as members in the downstream channel avoid building business with sellers who only defend their own interests. In order to avoid opportunism from partners, these members negotiate with well-known firms and expand their network by working with firms that are in turn known to their partner firms. The members of an association are part of a network where the reputation of both association and members influence the business with buyers. Therefore, the

reputation of an association and its members is believed to facilitate the creation of new business and the establishment of long-term relationships with buyers (Barra & Machado, 2014).

Table 2 – Reputation

	totally disagree	disagree in part	neither agree nor disagree	agree in part	totally agree
Buyers of specialty coffees feel that BSCA members have a good reputation in the market.	0,00%	2,86%	5,71%	17,14%	74,29%
Being a member of BSCA facilitates the maintenance of existing businesses.	11,43%	2,86%	5,71%	31,43%	48,57%
Being a member of BSCA facilitates the generation of new business.	5,71%	5,71%	11,43%	54,29%	22,86%
Being from BSCA facilitates the development of new contacts with buyers of specialty coffee.	2,86%	8,57%	5,71%	34,29%	48,57%

Source: BSCA (2006).

According to the findings, a considerable number of those interviewed agreed to the importance of collective learning for the development of business (table 4).

According Barra and Machado (2014), associations can be seen as networks capable of creating space for collective learning. In fact, the members of these business associations share knowledge and exchange information through cooperation. While institutions are the rules of the game and organizations are the players (North, 1994), business associations can act as “coaches”.

Table 4 – Collective Learning

	totally disagree	disagree in part	neither agree nor disagree	agree in part	totally agree
Once we enter BSCA we learn a lot from the other associates.	5,71%	5,71%	20,00%	28,57%	40,00%
The learning gained through interaction with BSCA members has facilitated the generation of new business.	8,57%	5,71%	31,43%	25,71%	28,57%
The learning gained through interaction with BSCA members has facilitated the maintenance of existing businesses.	14,29%	5,71%	28,57%	25,71%	25,71%
Frequently, we at BSCA exchange information.	8,57%	20,00%	8,57%	31,43%	31,43%

Source: BSCA (2006).

The perception of members as to the role of the association in their business affairs was verified through the tabulation of data from answered questionnaires. According to the findings, a considerable number of those interviewed agreed to the influence of the BSCA on the performance of its members (Table 5).

Table 5 – Influence of the BSCA on the performance of its members.

	totally disagree	disagree in part	neither agree nor disagree	agree in part	totally agree
After our company joined BSCA, we became better known.	8,57%	2,86%	5,71%	25,71%	57,14%
After our company joined BSCA, we were able to attract new customers.	11,43%	5,71%	5,71%	28,57%	48,57%
After our company joined BSCA, we have gained more prestige.	2,86%	0,00%	17,14%	40,00%	40,00%
After our company joined BSCA, we became more profitable.	17,14%	2,86%	25,71%	42,86%	8,57%
After our company joined BSCA, we became more organized.	2,86%	2,86%	5,71%	17,14%	71,43%
After our company joined BSCA, we obtain good financial results compared to other Brazilian coffee growers.	17,14%	5,71%	22,86%	28,57%	20,00%
We still operate our business with coffee the same way we did before we became BSCA associates.	42,86%	20,00%	5,71%	25,71%	5,71%

Source: BSCA (2006).

Finally, the greater the asymmetry of information between the agents in the transaction, the greater the possibility of opportunism (Neves, 2000). Opportunistic behavior spreads itself in environments with information asymmetry, thus increasing transaction costs (Williamson, 1985). By the limited rationality of individuals, it is not possible to predict all the possibilities of events of a transaction; it is assumed that the contracts to manage the transactions are incomplete (Farina et al., 1997). For that reason, agents seek alternative ways to reduce the risk of opportunism. These agents develop informal safeguards through the development of trust and through network involvement (Grannovetter, 1985).

The findings of the study ratify the theory that association (network) contributes to the buildup of trust among partners, lessens information asymmetry and reduces transaction costs. This type of network contributes to the construction of their member's Reputation, by means of Marketing. This is due to the patterns of conduct (Certification) that companies have to follow to become affiliates. Certification is developed by means of collective Learning. This paper examines how a coffee farmers association has been influencing performance gains and institutionalizing best production practices (Figure 2).

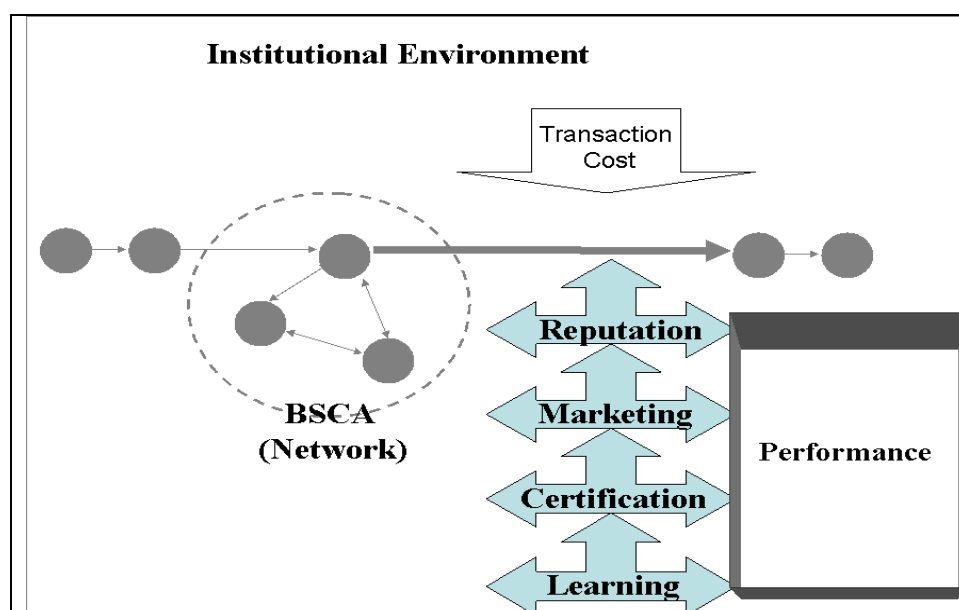


Figure 2: Role of associations in agroindustrial systems

4.1 Role of Associations in the Coordination of Agroindustrial Systems

Especially at a time when the coffee market is creating opportunities for sustainable coffee, this theme is believed to have importance to coordination of agroindustrial systems. The discussion in this paper demonstrates that, in order to understand the role of associations in the performance of the coffee growers, we need to put them into the context of the coordination of agroindustrial systems.

In recent decades, there has been an increased focus on food safety in the coffee world market. In the context, the role of associations in the coordination of agri-food supply chain has become more and more common. Association takes responsibility for food safety in the agroindustrial systems. In addition, increasing consumer awareness regarding issues of food safety, quality and environment have created a growing demand for certification coffee. The certifications provide to association communicate information about the attributes of a product, contributes to the buildup of trust among partners.

The change in the coffee market was one of the fomenters of transformations in associations of Brazilian coffee growers. Many associations that once acted as mere interlocutors with the government have broadened their scope of performance. In fact, with the changes in the institutional environment, associations of Brazilian coffee growers are gradually reformulating their strategies. Associations of Brazilian coffee growers are beginning to address their members as customers. These organizations are seeking to provide members with suitable institutional support for generation of new business deals, increased gains and maintenance of the business. Many associations of Brazilian coffee growers improved their contribution to the process of coordination of Agroindustrial Systems (Barra & Machado, 2014).

When an organization belongs to association, it gains an institutional support that contributes to the best realization of its objectives in a long term. In addition to that, these organizations make link to the government, organizations and to the society. Now, the association contributes to the construction of their member's

reputation. This is due to the patterns of conduct that companies have to follow to become affiliates.

The BSCA has acted as a supplier of certificates for their member's products. These certificates facilitate the negotiation and contribute to the reduction of transaction costs, once they reduce the asymmetric information between agents of the agribusiness systems.

The BSCA is a coordination agent of agroindustrial systems. As a function of the positive perception of growers as to the role of the business association as a facilitating agent for increase yours process, the findings of the research ratify the theory that this type of organization contributes to the buildup of trust among partners in the agroindustrial systems, lessens information asymmetry and reduces transaction costs.

Due to the role that the BSCA are taking in the agribusiness systems, they are becoming more important. These organizations are increasing their contribution in process of coordination among the agents of agribusiness systems. This occurs because of the institutional stability provided by the actions of these organizations.

The coordination of agri-food supply chain is performed for contracts between firms and groups. To that end, associations are seeking to provide members with suitable institutional support for generation of new business deals, increased gains and maintenance of the existing business. Institutional Support is an essential condition to coordination of agroindustrial systems.

Based on the discussions in this section, we devised a role of associations in the coordination of Agroindustrial Systems, according to Figure 3.

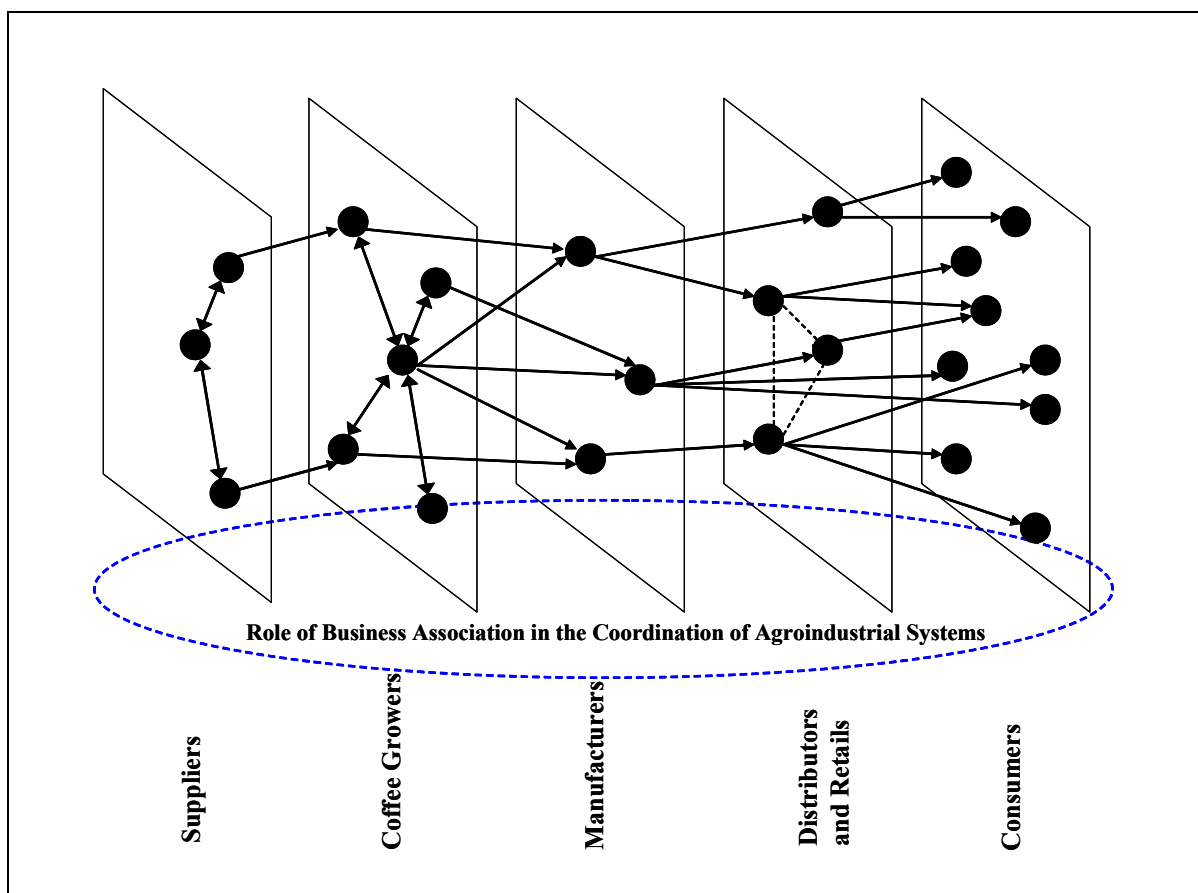


Figure 3: Role of associations in the coordination of agroindustrial systems

Conclusions

The purpose of this paper is to discuss the role of associations in the process of coordination of agroindustrial systems. In this paper, we implemented a case study involving an association of Brazilian coffee growers. We verified that the support given by this association to its members is an important element, which they all recognize. As a function of the positive perception of members as to the role of the associations as a facilitating agent for these new types of business, the findings of the research study ratify the theory that this type of organization contributes to the buildup of trust among partners, lessens information asymmetry and reduces transaction costs. The case studied reveals that initiatives from associations are essential to develop business in Agri-Food Supply Chain composed of customers willing to pay a premium for the product.

With the changes in the institutional environment, associations are seeking to provide members with suitable institutional support for generation of new business deals, increased gains and maintenance of the existing business. The interface of associations with buyers of the specialty coffee market have influenced the flow of business. These activities contribute to the establishment of new contacts and to greater interaction between producers and buyers, helping build up trust, which is a precondition to negotiate in coffee market. Being member of an association holding a reputation is crucial to eliminate the barriers of entering the market, since it acts as a generator of trust (Barra & Machado, 2014).

By confronting research findings with the theoretical framework, we verified that the support given by this association to its members is an important element, which they all recognize. We verified that not only does it provide institutional support and reputation; it also provides quality-signaling mechanisms and allows joint marketing actions.

The perception of members as to the role of the associations in their business affairs was verified through the tabulation of data from 35 answered questionnaires. According to the findings, a considerable number of those interviewed agreed to the importance of reputation, collective marketing, collective learning and label/certificate for the development of business. The same happened with the questions on the influence of the BSCA on the performance of its members.

BSCA offers an excellent example of the importance of the organizations in the support for companies that want to commercialize differentiated products. The results show that BSCA perform a range of functions that can facilitate the development of the business between BSCA members and its main buyers. The competitive differential of BSCA members is based on their strategies of production, which focus quality, aligning productive practices with deep concern about the environmental and social issues. The BSCA has promoted an environment with good reputation and institutional stability among its members.

The BSCA actions have been strategically important for the Brazilian coffee promotion in the international market. Besides promoting the improvement of the international image of the Brazilian coffee quality, the BSCA provides benefits that act on non-members, because several of its actions affect the completely Brazilian coffee agribusiness.

Although this work uses concepts of New Institutional Economics as a backdrop, widely disseminated as they are in literature about agroindustrial system coordination, this paper attempted to point to important variables in the development of distribution

channels for differentiated products, including reputation, joint marketing, collective learning and quality assurance label/certificate. We believe that the theoretical framework synthesized in such variables is the greatest contribution of this work.

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