The Brazilian organic food sector: Prospects and constraints of facilitating the inclusion of smallholders

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The organic sector of Brazil: prospects and constraints of facilitating the inclusion of smallholders

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Abstract:

The Brazilian organic sector has experienced important growth during the last two decades. The sector is being progressively shaped around four food systems: an alternative food system, which is strongly interwoven with the Brazilian Agro-ecological movement; two commercial food procurement systems oriented towards a domestic and an export market driven mainly by supermarket chains; and a public procurement food system, which still represents a small share of the sector. Brazilian smallholders are facing huge challenges to enter and benefit from the organic sector in a sustainable way. Combining the lenses of institutional economics and socio-anthropology, we analyse six experiences of Brazilian smallholders as they convert to organic in three major food systems in order to shed light on 1) the governance of the food systems, 2) the constraints farmers are facing within the food systems and, 3) the benefits that they can expect from inclusion. We highlight the roles that NGOs, Faith-based organisations and public-related agencies play in supporting the smallholders' inclusion in all three sectors. We confirm the arguments in support of pursuing the agro-ecological development based model in Brazil, but underline that there is a critical lack of support for famers included in the commercial market-oriented food systems. Considering the reluctance of NGOs and Faith-based organisations to support these farmers, we claim that efforts should be made to provide a policy framework to enable public related entities to secure a sustainable inclusion in these systems and exit strategies for those experiencing exclusion from these highly competitive food systems.

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1. Introduction

Global demand for organic products has remained robust, and is estimated to have reached 50.9 billion US$ in 2008, doubling the value of 25 billion US$ in 2003. Most of the sales take place in the US and Europe (97%), with a growing commodity import from developing countries (Willer & Kilcher, 2010). The rapid rise of both supermarkets and an urban upper middle class consumer segment in the New Industrialized Countries of the South (Reardon, 2003) has created a recent important expansion of the domestic market in these countries, leading to progressive transformations and a growing structural complexity of their respective organic sectors.

Both FAO and IFAD (El-Hage Scialabba, 2007; IFAD, 2002) see a promising opportunity for smallholders in emerging countries to increase their incomes and achieve an improved livelihood by taking advantage of the boom in organic demand. Many research results from countries such as India, Tunisia, Turkey, Cuba or tropical African countries confirm this optimistic view. They show that organic farming effectively has the potential to provide smallholders access to attractive markets with higher profitability, while creating new partnerships within the whole value chain and strengthening self confidence and the autonomy of farmers (Crucefix, 1998; Shah *et al.*, 2005; Kilcher, 2007; Bolwig *et al.*, 2009).

However, some less optimistic outcomes have been highlighted. Gomez-Tavar *et al.* (2005) and Gonzalez and Nigh (2005) show how in Mexico, the unsuitable certification context and the highly competitive market for organic coffee tend to reproduce social inequalities between smallholders and larger market orientated producers, triggering the exclusion of the former. Similarly, Blanc (2009) shows how the Brazilian domestic market for organic vegetables is highly competitive and exclusive, and does not protect smallholders from potential hold-up situations exerted by powerful downstream partners. From a broader perspective, research underlines that smallholders from emerging countries - often economically marginalized and with a low educational background - are facing many challenges to enter the organic sector and benefit from it. Problems such as decreasing incomes during the conversion period and high costs for certification are serious constraints, particularly when no specific subsidies exist for organic production (Egelyng, 2009). Structural barriers to access credit, difficulties to create reliable market linkages and a lack of knowledge about organizational management are also considered to be highly problematic issues (Barrett *et al.*, 2001; Nordlund and Egelyng, 2008; Blanc, op.cit.).

This paper aims to discuss these issues further within the specific context of Brazil and its growing organic sector. Setting aside rather contradictory statistical data, the Brazilian organic sector has experienced important growth during the last two decades, reaching 1,766,000 hectares and 7,250 producers officially certified as organic in 2008, making the country the fourth largest in the world in terms of the total area under organic cultivation. The bifurcation of the organic production structure consists of both large agro-industrial farms and smallholders. This duality is also found in the organisation of agricultural policies in Brazil, where the Ministry of Agriculture, Livestock and Provision (MAPA) represents the interests of the large agribusinesses and the Ministry of Agrarian Development (MDA) represents those of the small and poor farmers. Initial efforts to regulate the organic sector were made in the 1990's, whereas the social aspects of smallholders' inclusion

became institutionalised with the election of the first left-wing Brazilian government in 2002[1]. Many NGOs and associations from civil society, including faith-based entities, along with powerful organisations such as the MST (Landless Movement) and the FAF (Federation of Family farmers) laid the groundwork for these stronger social orientations in state agricultural policies. While the Ministry of Agrarian Development (MDA) has steadily extended its offers in funding both farmers and farmers' organizations to convert to organic production, an organic Law (n°10.831) was definitively passed in july 2009 after 15 years of negotiations and partial regulation of the sector. This law finally recognizes a wide diversity of ecological farming styles, as well as different certification schemes, as "organic," including the Participative Guarantee Systems (PGS), said to be more adapted to poor smallholders (Fonseca *et al.*, 2008).

The inclusion of the Brazilian smallholders in the organic sector has taken place since the early 90s within four different food systems. One is oriented towards the export market. This food system has been the main driver of organic growth since the 90s, and in 2009, it accounted for 60% of Brazilian organic production. The three other food systems are all oriented towards the domestic market, which we will classify here as: 1) the "alternative food system" (AFS), which has historically been the ferment of organic production in Brazil, 2) the commercial market food system, driven mainly by expanding supermarket chains and the food system which has experienced the strongest growth since the beginning of the 2000s, and 3) a public procurement system launched back in 2003 in connection with the "Fome Zero" (zero hunger) program. The latter has been expanding rapidly since its introduction, even though it still represents a very small share of the organic sector (around 3% in late 2008).

This diversity of food systems, along with the support provided by specific institutional frames, public policies, and activists' engagements, thus offers a broad array of opportunities for the smallholders to enter the organic sector. This with regards to the different constraints the smallholders face in production and organization, as much as the different competencies, motivations and perspectives they have. Meanwhile, the diversity offers a fertile ground to conduct a comparative analysis of the challenges the smallholders face when entering these different food systems and attempting to benefit from them. In this paper, we will more specifically focus on three main questions: how does smallholder inclusion practically occur in each food system? What - common and distinct - difficulties and challenges do they experience within each food system? What can we learn from the specific governance set-up in the Brazilian organic sector, featuring the smallholders' interactions with the public sector, commercial market actors (e.g. supermarkets, exporters) and civil society organisations (e.g. NGOs, faith-based organisations, etc.)?

These issues will be discussed on the basis of six different case studies of organic "experiences," which combine data obtained during fieldwork conducted between 2007 and 2009 in two localities, with data gathered in a PhD (Shultz, 2006), two Master Thesis (Almeida, 2009; Brancher, 2004) along with journal articles (Souza et al., 2005; Almeida and Abreu, 2009). These cases studies exemplify singular "experiences" of smallholders converting to organicproduction, in three of the four food systems mentioned above, namely: the AFS, the commercial food system driven by

[1] The last Brazilian election was won by the incumbent left wing government resulting in a second-term (2011-2015).

supermarket chains and the export oriented one. Hence, the public procurement food system will not be addressed in our work. The main reason is that, in all the situations we faced, we could only find the public food system in combination with one of the other food systems, occupying a small share of the farmers' outlets (maximum up to 15%). The secondary, but interrelated reason is that we couldn't find specific works, which specifically address this food system and organic production due, probably, to its novelty.

Before documenting and discussing these "experiences," we will briefly introduce the theoretical perspectives selected for the analytical framework, and in the subsequent section, provide a more accurate description of the different food systems, which structure the Brazilian organic sector.

2. Theoretical ground

We will not be developing a strongly theory grounded approach. Still, our perspective is obviously critically influenced by our respective research backgrounds, hence combining - at some point - the lens of an economist, working with New Institutional Economics (NIE), with that of a socio-anthropologist. References to concepts issued from transaction cost economics, along with organizational theory and more specific sociology-grounded views, will therefore be frequent and will inevitably influence our story telling and the framing of our analysis. A brief reminder of some basic conceptual notions is therefore necessary.

New Institutional Economics uses the "transaction" as its unit of analysis. From a NIE point of view, exchange itself is costly, meaning that, in contrast to the proposition of orthodox economics, the behaviour of market actors can not only be explained and predicted by considering trade-offs between prices and production costs (including physical marketing costs such as those for transport and storage). NIE thus claims that taking into account the cost that actors face when trying to coordinate their exchange on the market is essential to understand individual and collective behaviours in this arena. These costs, called transaction costs, include the costs to obtain and process market information (information costs), to negotiate contracts with others (bargaining costs), to make sure the other party sticks to the terms of the contract (monitoring costs) and to take appropriate action if this turns out not to be the case (enforcing costs). Hobbs (1997) classified these costs so information costs typically arise *ex ante* of an exchange, bargaining costs are the costs of physically carrying out the transaction while monitoring, and enforcement costs occur *ex post* of a transaction.

According to the seminal work of Coase (1937), it is precisely to economize on such costs that economic organizations, such as farm associations, cooperatives, or privately run market intermediaries and wholesalers, emerge. Such organizations help secure the "critical mass of supply" for large outlets and manage the flux (production planning, delivery), and contribute in guaranteeing the reliability of the partners in the chain, as well as the quality of the goods (Hayes, 2000). Any type of food system may call for such organizations, but their need is even more crucial within modern food systems and complex supply chains, such as those driven by supermarkets and agribusiness companies. Indeed, to lower the transaction costs they hold in monitoring and

enforcing the standards they set in terms of quality, size and delivery, supermarkets and agribusiness companies choose to rely upon a few intermediaries rather than many smallholders, making it compulsory for the latter to either form or join a farmers' organization (association/cooperative), or to trade with intermediaries.

Building organizations lowers or suppresses transactions costs; but it creates, at the same moment, a set of specific coordination costs related to tasks such as defining a marketing strategy, establishing a collective production and delivery planning, as well as specific governance and property rights arrangements within the organization. Transaction and coordination costs are interrelated and, from an organizational theory perspective, phenomena such as the emergence of an organization, its transformation and strategic moves, as well as its closure, are critically related to the dynamic balance between these two kinds of costs parallel to other basic economical data (demand/offer, price competition, etc.). According to this theoretical perspective, farmers will never build or enter a specific organization if the sum of the costs of transaction and coordination is higher than the expected profits. Conversely, existing organizations will explode if these costs become higher than the profits the farmers could expect in another market setting.

Granovetter (1992), as much as Freeland (1999) or Freeman (1999), have all strongly criticized such a transaction cots approach, as it assumes that the behaviour of any actor is strictly guided by the perspective of maximizing profit in a self-interested perspective, hence falling back on an under-socialized conception of action. In line with this perspective, we assume that economic exchange, cooperation and organizational issues cannot be considered if the influence of peoples' existing social relations (Granovetter, op.cit.), or the norms and values shaping those practices (North, 1990), are excluded. Firstly, this is because farmers, like people in general, have social lives and opinions, values and beliefs that are, as much as their capacities, formed, maintained and transformed within social groups, families and communities (Bliss, 1993 ; Douglas, 2007)). Smallholders who are members of the same organization may therefore, to some extent, share a common history; have important kinship relatedness, experience intense vicinal relations, etc. Such intense sociability may build empathy, sympathy, shared values and lead to peculiar forms of solidarity, as well as deep-rooted conflicts, prohibiting cooperation between certain members of a community, or favouring specific alliances within a group. Secondly, because the exchange of products is at times also embedded in logics that are not only about minimizing costs and maximizing profits. Organic markets, and particularly those built within the "alternative" perspective, can in this regard also be explained by their specific transactional processes, in which values of trust, cooperation, profit sharing, social and environmental concerns are important issues of the marketing transaction. Hansmann (1996) explains the outcome of these 'non-capitalist' marketing organizations as a counter reaction to alienation or exploitation said to characterize capitalist (investor-owned) enterprises and market exchange rooted in capitalism itself. In relation to organic food production, alternative 'non-capitalist' market organizations, which emphasize an altruistic transaction process, could therefore be seen as a countermove to attempt to overcome the transactional outcomes - alienation or exploitation of Man and Nature - derived from the transactional processes inherent in a capitalist market exchange (Kledal, 2003).

That is why, even if references to transaction cost economics will be of importance in our analysis,

economic exchange, cooperation and organizational practices will always be discussed regarding the relational and cultural aspects of collective action, too. As such, the perspective we develop here is part of a growing set of attempts to enrich our understanding of socio-economic changes by moving from a disciplinary based perspective to an interdisciplinary one.

3. A quick overview of the Four Food Systems shaping the Brazilian organic sector.

Within the four food systems currently shaping the Brazilian organic sector, the "alternative food system" (AFS) was the first to emerge back in the early 1980s. Civil and religious activists, such as the progressive wings of the Lutheran and catholic churches, neo-rural farmers, agricultural extension agents, along with associations and NGOs devoted to the promotion of organic farming, actively participated in the shaping of AFS. Interwoven with the increasingly strong national and international "agro-ecological movement," they focused not only on production techniques and extension services, but also organized semi-closed circuits of exchange between farmers and consumers built on values, which stressed transactional processes of trust and social and environmental welfare, as opposed to capitalist transaction exchange outcomes, such as competition, exclusion and the concentration of production (A. Cohn *et al*, 2006 ; Brandenburg, 2008). As of writing in 2010, this "alternative" food system channels half of the certified organic production within the domestic market via popular fairs, box schemes or direct delivery systems. It is particularly well developed in Southern Brazil, where the "Ecovida" network, notably, articulates a large number of alternative experiences, involving more than 1500 family farmers organized in associations and cooperatives. Formalized in 1998, the network is based on a regional scale participative guarantee system (PGS), which became the reference for the recent officially accepted PGS systems under the national certification scheme (Fonseca et al., 2005).

Until the middle of the 1990s, the Brazilian government considered the organic movement as a marginal movement with no future (Darolt, 2002). However, pressure from activists and farmers' organizations on the one side, and firms attracted by the organic market opportunities (producing and selling inputs, processing, export activities) on the other, drove the government to progressively regulate the sector (Schmidt, 2001; Medaets and Fonseca, 2005; Lima and Pinheiro, 2001). The implementation of a formal set of institutions, which regulate organic trade and markets, including the passing of a first "organic law" in 1994 and the accreditation of many certification bodies, laid the foundations for more formalized procurement systems to emerge. Many national and international actors, some with strong financial capital, entered the arena and stimulated the sudden rapid growth of the sector. The export market was historically the first to drive this growth, with Europe, North America and Japan as the main markets. In the early 2000s, organic exports from Brazil accounted for almost 70% of the production and, according to the Ministry of Agrarian Development, % of the organic production in Brazil is (2010) still being exported today. Smallholders[2] make up only a limited part of these exports since the major organic export commodities are sugar and soya, which originate from the large estates in the Central West and South East region of Brazil.

[2] Mainly producing cocoa, fresh fruits and coffee grain.

Next to this export market, a commercial domestic oriented food system, driven by national and/or international supermarkets, captured a growing share of the organic food market in the late 90s. The system has grown markedly since the early 2000s, when sales according to the Brazilian supermarkets association (ABRAS, 2007), began experiencing 25% growth per year. The global supermarket chain Carrefour (home base: France) and its main competitor Casino, with its joint venture ownership with the regional up-market chain, Grupo Pão de Açúcar, are major drivers behind this growth. Supermarkets had, up to this point, strictly targeted upper and middle-class urban consumers, with the price of organic products exceeding that of conventional products by 40 to 300% (Guivant, 2003; Kiss, 2004). The domestic market, as with export, requires the acquisition of third party organic certification. Intermediary companies and big farmers' cooperatives are responsible for most of the logistics of the sector, acting as a link between the producers and the major retailers. However, smaller farmers' associations, if they are able to deliver the critical mass of supply at the right time and of the expected quality, may enter these modern supply chains and supermarket outlets.

Parallel to the privately driven domestic food system, a public procurement system launched in 2003 was built within the broader government program "Fome Zero" (Zero Hunger). One of the constituents of this program, the "Programa de Aquisiçao Alimentar" (PAA – Food Purchase Program) emphasized both "ends" of the food supply chain, the aim of which was not only to offer access to food for populations facing insecure food and nutritional situations, but also to guarantee market outlets and minimum prices for smallholders. In this respect, a Federal agency, the "*Compania Nacional de Abastecimento* » and, to a lesser extent, Municipalities and State agencies, purchase products from smallholders and distribute them to institutional entities such as schools and hospitals, as well as population groups considered as "vulnerable." Part of the food purchased from smallholders in this program is organic. No data are available to assess the number of organic growers involved in the program but, from 2003 to 2009, 107 million $ - out of a total of one billion $ - was specifically invested in organic production. The program guarantees a specific premium for organic, 30% above a reference price set on the basis of local and regional market prices. To enter the public procurement food system, farmers have to meet specific requirements. They have to be approved as "family farmers," i.e. they have to have a limited permanent non-family labour force on the farm (max 2), the farm must not exceed a specific size, at least 80% of their income must come from on-farm activities (productive or non-productive)[3], and they have to be members of an official farmers' organization (association, cooperative, etc.). Meanwhile, the amount purchased is limited to 1900 US$ per year per family[4], which is the equivalent of one Brazilian annual minimum salary. This explains why, in all the cases studied here, the public procurement system was a) always found in combination with one of the other three food systems and, b) never exceeded 20% of the farmers' market share. Indeed, ten% was the most frequent share we encountered.

4. Case studies; Organic "experiences" of smallholders in the Brazilian organic sector

[3] As stated by the Agricultural Development Ministry (MDA) within its credit program for family farmers (PRONAF).
4 From 2003 to 2006, the limit was set at 1,340 $. The value was updated in 2006.

This section presents six case studies of smallholders converting to organic production in the alternative system, the supermarket chains (domestic) and the export driven food system. In each of these narratives, we analyse the processes of inclusion of the farmers in the sector and their "experience" of the food systems, with an emphasis on trajectories, challenges and tensions that characterize the experiences. As we have already pointed out, the public procurement food system will not be addressed in our work, but will only be mentioned if farmers from the other food systems sell to the public food system.

4.1. Experiences within the "alternative" food system

The AECIA, Associaçao dos Agricultores Ecologistas de Ipê e Antonio Prado, and the ARPASUL, Associaçao Regional de Produtores Agroecologicos da Regiao Sul are both pioneers among organic farming associations in the Brazilian southern state of Rio Grande do Sul. Created in 1991 and 1995, respectively, both are members of the Ecovida network with AECIA being one of the founder/charter members. In 2008, 35 families were members of AECIA and 50 were members of the APRASUL.

Both associations were created under the influence of faith-based organizations[5]. These organizations introduced and promoted agro-ecological principles to the farmers and provided them with technical agricultural extension, facilitating their conversion to organic production. In the AECIA case, a specific partnership was established with an extension NGO ("Centro Ecologico"). Meanwhile, the organizations facilitated the set-up of farmer cooperatives linking them with organized farmers and consumer groups and future members of the Ecovida network. In this way, they helped the farmers by setting the juridical and organizational basis, which enabled them to sell their produce as "organic" to groups of consumers through a Participative Guarantee System. In both cases, the producers and consumer groups included the famers in their network, offering them the opportunity to turn away from the wholesale market of the State Capital and to channel their production towards the fairs they were organizing in various cities in the State of Rio Grande do Sul. Such a shift went along with changing the orientation of production. From a mix of tobacco, fruits, vegetables and grains, the farmers from AECIA decided to specialize mainly in fruit production and the commercialization of juices and nectars, alongside small amounts of vegetables sold *in natura*. ARPASUL farmers abandoned tobacco, but continued a rather diversified production, growing and commercializing a broad range of vegetables, fruits, and grains, both *in natura* and processed (juices, canned goods, etc.).

The farmers from both AECIA and APRASUL stayed committed to their original organic fairs for many years, with each family attending fairs twice a week. Marketing at organic fairs was, from the farmers' perspective - and obviously from the facilitating entities perspective too - grounded on ideological values, much more than any consideration of economic efficiency. Organic market fairs were, on the one hand, considered as the only way for the farmers to maintain full control of the premiums. That meant they could sell their produce at affordable consumer prices, and hence reach

[5] The "Pastoral da Terra" (Catholic) for AECIA and both the "Centro de Apoio ao Pequeno Agricultor" (Evangelic) and the "Comissao Pastoral da Terra" (Catholic) for APRASUL.

low-income consumers. On the other hand, participating in organic fairs was seen as a way to build-up social ties and reinforce solidarity, both with consumers and among the farmers themselves.

However, such a marketing option became progressively challenged. According to the farmers from both groups, attending fairs twice a week is a heavy load for a family-based labour organization, critically taking them away from working in the fields, while not always bringing in satisfactory earnings. To improve earnings, an attempt to attend a third weekly market fair was made, but, even when sharing this duty among the members, the option was quickly abandoned due to time constraints. Hence, the attendance of organic fairs did not increase production – and thus earnings. As a result, farmers from both groups progressively diversified their production. In the AECIA case, diversification started in 1995 and grew steadily so that in 2008, only 30% of the farmers' sales were in the original market fair scheme. 60% of their products were then sold to small organic shops, restaurants and box scheme firms, mainly via phone and Internet selling systems[6], but also via commercial agents (10%). The remaining 10% were channelled via the public procurement system. The APRASUL farmers began to diversify their outlets in 1998, when they entered into partnership with a consumer association and began selling their products - up to 25% - in the association's shop and restaurant. In 2003, the APRASUL farmers entered the public procurement system, which accounted for 15% of their production in 2008. The farmers thus maintained the organic fairs as their major marketing channel (60%) until 2008, but a major switch occurred this year, when almost half of the farmers in the group decided to sell their products to supermarkets – via intermediaries - and to definitively leave the fairs system.

Once again, the supporting organizations played a major role in these diversification processes. In both cases, they facilitated the establishment of new juridical structures (cooperatives) that enabled the farmers to sell their products to registered economic agents (intermediaries, shops, etc.)[7], and helped the farmers to define their commercialization strategies, to build the appropriate networks and to improve their production planning. Meanwhile, the supporting organizations aided the farmers to gain access to funding from both the Government agency and other non-governmental agencies. AECIA received funding from Caritas Brazil in 1998 to develop transportation facilities, whilst they received funding for processing plants from State and Federal Agencies (Pronaf Agroindustria). ARPASUL became involved in the Programa de Desenvolvimento Sustentavel do Territorios, launched by the MDA in 2003, which generated 32.000 Euros for the association to build a market outlet, as well as purchase IT equipment.

In both cases, the diversification of their production meant that the farmers abandoned some of their previous commitments. Only the remaining organic fairs and the institutional market – both of which enabled the farmers to reach low-income consumers - fit the farmers' original value-driven marketing orientation. This was contrary to the intermediaries who were setting the prices and transforming the farmers' production into luxury goods sold through the other marketing systems. The gradual diversification of sales and outlets gave tensions in the groups, illustrating the contradictory process of trying to raise incomes while maintaining practices of exchange embedded

[6] The association has its own web site: http://www.aecia.com.br/index.php#pop (accessed November the 25th, 2010)
[7] Such a shift in juridical structures is needed, in accordance with Brazilian law, so the farmers can commercialize to economic agents that request fiscal notes for any transaction.

in non-market orientated values. While the members from AECIA managed to go through this diversification process without major conflict within the group, the APRASUL experienced conflicts when a number of farmers decided to sell to the supermarkets. Many farmers considered that leaving the market fair system in order to deal with supermarkets would contradict the groups' convictions regarding their transaction principles (fairness, social ties, etc.). Furthermore, farmers had to build a cooperative (for juridical purpose) and get third-party certification to deal with the supermarkets. The farmers who were not interested in entering this new marketing channel didn't relish the idea of sharing these new costs. As a result, the ARPASUL group split into two sub-groups. One group maintained their activity on behalf of the association, marketing most of their production at the fairs, while the second group started a cooperative, selling to supermarkets via intermediaries, but continued to use the ARPASUL name.

4.2. Experiences within the supermarket driven food system (domestic)

The farmers from the Associaçao de Produtores Agricolas de Colombo (APAC - State of Paranà) and those from the rural neighbourhood of Veravà (State of Sao Paulo) are vegetables growers who converted to organic in the 90s, commercializing *in natura* vegetables to supermarkets of the State capitals (respectively Curitiba and Sao Paulo).

The Associaçao de Produtores Agricolas de Colombo (APAC) was established in the early 80s, encouraged and aided by the Federal extension service organization (EMATER[8]) and the municipality of Colombo. For the 25 farmers involved in the process, it was an opportunity to turn away from the wholesale market (CEASA) and develop new market outlets (churches community networks, small shops and restaurants). The APAC growers then entered the organic market in early 1997, benefiting from a partnership made with the Parana's Organic Association (AOPA), an organization born a few years before (1995) to promote agro-ecology for the smallholders in the State. This partner benefited the APAC growers with its new connections to some of Curitiba's big retailers. They began selling *in natura* vegetables to supermarkets of the state's capital, and were included in a wide network involving almost 300 families from various neighbouring municipalities.

In 1998, this network was highly prosperous. The farmers were selling 1200 tons of vegetables to 28 supermarkets, employing 22 people for processing, packing and delivering alongside 20 commercial agents who coordinated relations with the supermarkets. However, the system quickly experienced serious difficulties, which led to its failure. Changing transaction rules imposed by supermarkets (lower prices together with more stringent norms regarding quality and regularity for deliveries) along with management deficiencies within the group in which the APAC farmers were included, led to a massive trade gap, leaving APAC with a financial deficit of about 180.000 Euros, which resulted in the farmers receiving no income for six months. While the AOPA decided to stop dealing with any supermarkets and to turn back to "alternative" marketing channels, the APAC growers maintained their relations with the retailers. In order to enhance their bargaining power and

[8] Empresa de Assistência Técnica e Extensão Rural.

to enable non-sold organic items to find their way to the conventional market instead of making a loss, they chose to include conventional farmers in their association. This strategy was a success as, in 2002, 100 farmers, of which 30 were organic growers and 10 were in the process of conversion, sold their fruit and vegetable to 52 supermarket outlets including major retailers such as "Carrefour," "Pao de Acucar," "Zaffari S.A." and "Wall Mart." At this time, the APAC was employing 40 people, who dealt with the commercial, administrative and technical side of the business while maintaining the physical premises, which included cold storage facilities, packing machines etc. that had been financed by public funds.

However, a second crisis occurred in 2005. From 2000 onwards, organic sales as well as the number of suppliers increased and the sector experienced growing competition between new intermediaries and cooperatives of regional scope (Cultivar, Santo Onofre, Rio de Una, etc.). Supermarkets began setting new and tighter rules on transactions at the expense of the farmers, such as: 1) the farmers would no longer receive payments for non-sold items, whereas before the loss was divided equally between the supermarkets and the farmers, 2) the Farmers would now have to pay a fee for renting floor space, 3) marketing fees would increase for products registered as sold by the supermarket, 4) supermarket credit was extended with farmers having to wait 120 days for payment as opposed to the previous 45 days and, 5) 20% of the farmers' produce was to be sold at discount prices whereas before it was 5%. Under these new conditions, the success of APAC came to a sudden end. The association had to disband having not paid its growers for several months and with a debt of 250,000 dollars. Organic farmers went back to selling individually most of their products (still as organic) to intermediary firms that progressively took over the middle-market business in the State[9], and the leftovers were sold as non-organic in the wholesale market (CEASA) and in Municipal markets.

The story of the Veravà farmers is very similar. Veravà is a rural neighbourhood in the Ibiunà municipality located in the Metropolitan Region of Sao Paulo. The farmers were experiencing serious difficulties in selling their vegetables on the wholesale market of the Capital in the early 90s. At the instigation of faith-based activists and leaders from the Organic Agriculture Association (AAO), some of the farmers converted to organic production. Funds from a charitable organization enabled the hiring of agronomists and the organization of organic farming classes, while a marketing system linking them to Sao Paulo's low-class consumers, was set up. However, few farmers became involved in the system, as the outlets were very limited. This situation changed in 1995, when two neo-rural farmers from a neighbouring district joined the group and launched a retail network with supermarkets in the capital, creating considerable local demand. As a result, 50 farmers from the neighbourhood - corresponding to 80% of the farmers from the locality - had converted to organic production in 1999. Following the initiative of the two originators of the retail network, three different juridical entities organized around the same name - "Horta e Arte" - were established: 1) an association to collectively plan the production and to discuss and make strategic decisions, 2) a cooperative for the grouped purchase of inputs and, 3) a firm to manage the transactions with the supermarkets. To respond to retailer demand, farmers from other

[9] "Fruto da terra" (created by formal APAC/OAPA growers who turned it into an intermediary business in 1997), "Rio de Una" (established in 2000), "Sitio Tucano" and "Sabores da Natureza".

neighbourhoods joined the group, which numbered 135 members in 1999. At this time, around 30 people were employed to pack, deliver and sell the products and to provide an extension service for the farmers. A processing unit was built and trucks were purchased, notably with the help of funds (50,000 euros) received from the MDA to improve the association's facilities.

In the Veravàs case, just like in Colombo, farmers quickly ran into organizational and market problems, which led to the failure of the venture. Firstly, starting in 1995, the farmers' association (H&A), which provided the space for the participation of the smallholders in decision making, steadily weakened while the firm (H&A) took charge of the developmental process and increasingly took the role of a private intermediary between the farmers and supermarkets. In 2000, a decision was made to change the individual organic certifications of the farmers to a group certification (IBD) in the name of H&A. This decision dramatically reduced the farmers' certification costs, but it also made them captives of the organisation. The group certification was paid under the covenant that the farmers could not sell their products to other organic outlets without the agreement of the H&A management team. Secondly, from 2000, H&A (the firm) was facing growing competition from new intermediaries and cooperatives of regional scope (Cultivar, Santo Onofre etc.), which were involved in both the conventional and organic sector. These intermediaries, therefore, had lower operational costs and stronger bargaining power with the major retailers. H&A (the firm) passed on the tougher transaction requirements of supermarkets to the farmers, the result of which was that some of the farmers could not keep up with the pace and lost most of their contracts with H&A. With a sudden loss in earnings, these farmers quickly lost their capacity to invest (in irrigation, tractors and greenhouses) and became progressively excluded from farming.

In response to these increasingly harsh transaction conditions imposed by the H&A managers, a small group of farmers (5 farmers) who were willing to take risks, decided to leave the firm and form their own association (APROVE), develop their own group certification and purchase inputs together. They then accepted a proposition from a regional conventional cooperative (CAISP) to constitute its "organic" branch. Contrary to H&A, CAISP operated under similar principles as a New Generation Cooperative (Harris *et al.*, 1996). This allowed the organic farm group to benefit from both cleared shared rights, as well as important economies of scale by sharing storage with larger conventional producers. Furthermore, CAISP did not demand a right of exclusivity, which enabled the organic farm group to sell to other intermediaries as well. After one or two difficult years, the farmers began to benefit from an increase in various local intermediaries, as well as the growth of the CAISP itself.

H&A went bankrupt in 2008 due to an increasingly competitive environment and with intermediaries that dealt with both organic and conventional produce. Having accumulated huge debts, the firm ceased part of its activities (70% decline in sales) and left the local growers with huge financial losses (up to 15.000 Euros for some of them), as well as no outlets for most of their produce. In response, two of its former employees supported the growers in creating their own cooperative (COAGRIS, created late 2008). However, today, the organization is experiencing many difficulties. In spite of meeting on a weekly basis, the farmers have not been successful in establishing rules for a collective association (in terms of production planning, sharing packing and delivering), or in reaching an agreement on strategic issues. Still, they managed to sell most of their

production to an intermediary firm, "Rio de Unna," while commercializing a small part of production through a box scheme directly and through a specialized middleman. Our last field trip (2009) together with comments on the situation from local colleagues (2010), left us with the impression that things were not turning out for the best.

4.3. Export driven markets

The two export cases described below involve the farmer cooperative COAGROSOL from the Southern State of Sao Paulo selling processed and fresh fruits, and the APEMB (Association of Ecological Producers of Marico of Bauxite) located in the North-eastern State of Clara selling coffee beans.

COAGROSOL was created in 2000, derived from an association known as ABRACITRUS. ABRACITRUS had been established the year before by small producers (around 600) in the region of Itapolis (State of Sao Paulo), in order to obtain a better price for oranges. The farm-gate prices at the time did not even cover the costs of production. The small producers led a remarkable protest and drove trucks filled with their oranges to Sao Paulo, where they dumped the entire production in one of the city's most important streets. The protest soon received national attention and Sao Paulo's governor was obliged to negotiate with the producers. Following this protest, a small group of ABRACITRUS members decided to establish a cooperative, COAGROSOL, in order to trade within the certified Fair Trade system. At the time of its foundation, 30 producers were members of the cooperative and negotiations with Max Havelaar Switzerland soon took place. The SEBRAE[10], a Brazilian capacity building agency for small entrepreneurs, played a significant role in the process. SEBRAE, as a non-profit corporation supported by the Brazilian government, offered training programs to the members of COAGROSOL in order for them to be able to engage in both export and organic activities. Workshops, days of fieldwork and visits to organic growers were organized, facilitating both the farmers' conversion to organic and the organization of a marketing system (including production planning and organizational issues). The first Certified Fair trade sales were established in late 2000, comprising a total volume of 330 tons of orange concentrate, which was sold to a conventional importer. Six years later, in 2006, the cooperative was at its peak of development and had 120 members and 16 people working in management, administration, technical assistance etc., with 25 organic producers. A number of members were no longer orange growers, as the cooperative decided to diversify its production and sales. While some of the specialized orange producers began growing other fruits (sold fresh, as well as processed), more specialized vegetable growers joined the cooperative. Today, the main source of income and the activities of COAGROSOL is still orange production for export, but a larger part is now dedicated to other fresh fruits and processed products, both organic and conventional, such as oranges, limes, mangos, guavas, tomatoes and onions, mostly sold on the domestic market.

[10] Serviço Brasileiro de Apoio as Micro e Pequena Empresas [English: Brazilian Support Agency to Small and Medium Enterprises]

APEMB was founded in 1996, comprising 158 coffee growers, of which 110 were certified organic. When it comes to coffee, Brazil produces nearly a third of the world's coffee harvest, but virtually all of it is low grade "filler", and most of the coffee, is sun-grown in the southern coffee regions of São Paulo and Paraná States. However, farmers in the Baturité Mountains of the North-eastern state of Ceará and a region of the Atlantic Forest had kept some shade-grown coffee, since the local climatic conditions, with seasonal heavy rain and a dry season did not permit sun-grown coffee[11]. During the 1990s, the coffee yields in the area decreased, which was mainly due to a lack of pruning and coffee plant aging. In parallel, deforestation, soil erosion, the destruction of groundwater supplies and threats to the water supply in the State capital Fortaleza, were increasing. Pressure from civil society groups then brought about a State conservation plan, the Baturité Mountains Environmental Protection Area, comprising environmental restrictions on soil utilization, as well as agro-ecological support for shaded coffee farms. One of the activities was the Projeto Café Ecológico, which started in 1995 and was conducted by the NGO CEPEMA Foundation[12], which has links with the Swedish NGO part of the international network, "Land of the Future." CEPEMA trained the farmers in agro-ecological practices, how to run a coop and a market association, while providing them with new coffee plants, fruit and shade tree species. Along with the Swedish NGO, CEPEMA drove the process of establishing the APEMB farmers' association and establishing the first market connection with the Swedish roaster, 'Classic Kaffe.' APEMB worked on quality improvements, mainly through the introduction of better drying practices and bean selection. In the first years, the Banco do Nordeste provided financial support to pay for the certification costs, which amounted to US$ 5,000. In 1997, APEMB exported its first 6 tons to Classic Kaffe through a multiple agreement including CEPEMA, the Swedish Society for Nature Conservation, the Land of Future International Network and the State government of Ceará. In 1999, production had increased to 30 tons, which represented 60%of the total amount produced by APEMB. The producers received US$160 per bag, compared with US$100-110 per bag on the conventional market. Part of the premium was due to being able to sell Arabica[13] coffee, whereas before they used to sell "Conillon" (Robusta) coffee, which fetches a much lower price.

However, both COAGROSOL and APEMB ran into severe problems when their international commodity markets began to saturate, which resulted in the wholesalers/importing food companies putting pressure on the producers' sales price.

From the start, COAGROSOL was dependent on one conventional importer for the main part of its production. This led to several kinds of 'hold ups' initiated by the importer towards the cooperative during negotiations and market exchange ex post. Firstly, when conventional farm-gate prices dipped below the guaranteed Fair trade minimum price (FTMP) of 1,200 US $/MT (metric ton), the

[11] In practice, the growers of APEMB cultivate individual coffee plants among bananas, mangos, tangerines, cashews, sugar cane, carnaúba palms, pau brasil, aloe vera, jaca and eucalyptus. Compared with sun-grown coffee elsewhere in Brazil, the shade-grown coffee produces a lower yield, due to lower plant density (3,000 plants/ha) and a lower yield per plant.

[12] Fundação Cultural Educacional Popular em Defesa do Meio Ambiente ; Popular Educational and Cultural Foundation in Defense of the Environment.

[13] APEMB relies almost exclusively on a variety of Arabica bean called Catuaí.

importer contravened the contract and paid a lower price. Conversely, when conventional prices increased above the FTMP, the cooperative was only paid the FTMP. Secondly, payments on frozen concentrate orange juice (FCOJ), which was the most important source of income for the producers, were held back by the importer during negotiations on other products traded from COAGROSOL. Finally, when payment took place it was not always the full amount. In 2006, dependency on one or few major buyers downstream was felt particularly severely when the Swiss supermarket chain MIGROS decided to stop its trading with the importer that was buying from COAGROSOL due to dissatisfaction with the importer. At the time, MIGROS was purchasing 70%of the volumes produced by COAGROSOL. On top of this, export prices declined in 2008 due to the depreciation of the US Dollar, and the producers of the coop were not paid for their deliveries. This eventually led to a conflict between the producers and management, as well as a conflict among the producers themselves when a new management board was elected. Some producers decided to leave the cooperative and, in 2009, COAGROSOL decided to streamline its operations by ceasing to trade organic vegetables. COAGROSOL had been selling its organic vegetables to 'Horte e Arte' (H&A), but lost this market when the intermediary collapsed in 2008. Since then, COAGROSOL has been struggling to find new outlets for its production. On the one hand, has maintained part of its activities within the export system by connecting to other Fair Trade organizations (notably Altereco in France). On the other hand, COAGROSOL has reallocated part of its products through intermediaries providing supermarkets with orange juice, which is sold under the retailers' own brand.

The APEMB growers suffered from the dramatic increase in the world supply of organic coffee from 1997 to 2000, which led to predatory competition among coffee growers. In 2000, Classic Kaffe decided to stop buying from APEMB, since agreement could not be reached on lower producer prices. A new export opportunity with the North-American Zenway emerged, but this was not finalized due to a lack of finance for commercialization, the high cost of certification, as well as internal problems within the association. However, despite problems with the sale and export of organic coffee, CEPEMA stayed on and helped the producers to redefine their project's strategies, launching and developing a network for the local marketing of coffee, fruit and vegetables which would, at the same time, avoid the high certification costs, while potentially achieving modest price premiums. The project strategy was to explore the growth in tourism and to deliver baskets (a box scheme) to the district capital, Fortaleza. Reports in the news confirmed that the sale of "Café Ecológico *Pico Alto*" was launched in March 2003 in Fortaleza (FAO, 2003). The coffee is promoted as being "certified" by CEPEMA, and the fact that it was once exported, is advertised as being proof of its high quality.

5. Discussion

5.1. The three Food Systems: Benefits and limitations for smallholders

The concept of family farming entails a broad diversity of realities and is being increasingly criticized, but it is still a federative concept, which is politically operational and which echoes a project of society refusing the continuity of a "modernization" paradigm, which promotes capitalist agriculture and the concentration of land and yields, with a concomitant exclusion of the greater part of agricultural and rural populations (Graziano da Silva, 2001). In line with this perspective, Brazilian researchers emphasize the importance of refraining from promoting policies that force family farming into the capitalist market competition mode of production (Abramovay, 2000; Almeida, 2002; Brandenbourg, 2008; Schneider and Niederle, 2010). They claim that this would trigger exclusion, as well as the creation of a new rural elite who would become the new managers of agricultural capitalist farms. Instead, these authors are in favour of the agro-ecological model. They argue that this would promote solidarity and cooperation against competition and exclusion, and would value labour instead of technical inputs, and facilitate the acquisition of autonomy and the empowerment of farmers. Such a defence of the agro-ecological model echoes broader enthusiasm for Alternative Food Systems. Allen et al. (2003), Clarke et al. (2008) or Kneafsey (2010) argue that the various types of Alternative Food Systems illustrate a post-modern "peasant" resistance and a way to combat globalization and neo-liberal forces by constructing local relationships of trust, concern and reciprocity.

The case stories from the AFS support, to a large extent, the opinions of those in favour of the agro-ecological position. Emphasis is put on both reshaping the transaction process and facilitating cooperation among producers in a way that promotes solidarity, cooperation, information sharing, participative decision-making and the building of social ties. Such foundations enabled the farmers to maintain control of their developmental process, as well as the full ownership on their products**.** At the same time, farmers benefited from a continuous learning process, which was supported by a strong participative environment combining autonomy building with empowerment dynamics. If divergences, tensions and conflicts arose within the groups, Schultz (2006) and Brancher (2009), do not outline any process of exclusion, uneven capitalization, or land concentration at the farm level. Capitalization may have occurred (we don't know), but, as described by the authors, most of it seems to have occurred on a collective scale on the basis of shared properties and refers to transformation, delivery, marketing and communication facilities.

Conversely, our cases which illustrate the inclusion of smallholders in the second and the third food System (respectively domestic and export), show much more contrasted results. Participating in a food system which is driven by major retailer chains entails entering into a highly competitive market economy in which powerful capitalistic actors not only impose very specific and stringent transaction conditions on the smallholders, but also constant changes to delivery requirements. From our own investigations in Veravà, we found that what at first appeared to be a promising opportunity and financial bailout for the smallholders, turned out to be a highly competitive and exclusive system, in which only the "best," i.e. those adhering to an entrepreneurial logic, could succeed. While a number of the farmers from Veravà became excluded, continuous price-squeezes and a need for investments to remain competitive, led most of the others to increase their production

volumes, triggering the concentration of land and yields, which was to the benefit of a minority of the growers, who became managers of small agricultural holdings in some cases[14].

Another negative aspect, which can be derived from our cases, is that the farmers have difficulties in overcoming the high transaction costs when entering the modern food procurement system. First of all, they have to be able to deliver a certain 'critical mass of supply,' which is only possible if they supply to a private intermediary, or if they join a market association, or a cooperative. Secondly, the farmers then face an economic trade-off between loosing potential profit margins to the intermediary, or they have to endure risky investment costs in establishing a coop for packing, processing and storage, as well as the time needed to coordinate and market their production. Often, farmers do not have the time and the skills to manage these tasks so they hire a management team. Organizing a business in this way can lead to the so called 'principal–agent problem'[15], which arises when participants from an organization (farmers being the « principals ») entitle and compensate an « agent » (management) for performing certain acts, which are useful to them. In this situation, mechanisms must be set-up so the « principals » can ensure the accountability of the agent. However, in both our cases, farmers paid the price of failing to do so. A major reason for this is the strength of the paternalistic relations in the Brazilian business environment, which often prevent clearly shared property rights in the organizations[16].

Considering the modern export food system, the cases documented here illustrate the difficulties that smallholders face when attempting to seize the opportunities presented by an extremely dynamic and rapidly growing global organic market. In both our cases, the farmer coops experienced "hold-up" situations initiated by their downstream partners. This ultimately forced the APEMB to exit the export market and triggered a severe crisis within the COAGROSOL. Not only are these outcomes a direct result of the farmers being dependent on a single buyer, they also illustrate the harsh conditions imposed by a global market in which price volatility and competition are very strong. Even if organic production is accompanied by a Fair Trade marketing system, such as the Coagrosol case, the results are not very convincing, since the buyer apparently did not follow the rules and the market ethics established under the Fair Trade scheme. In both cases, a crisis in the coops was triggered when the buyers turned to other more price competitive suppliers. However, our cases points to other aspects of system weaknesses. In the coffee case, the system was in no way viable without the financial aid granted by the State to pay for certification. When this support disappeared, the farmers were unable to shift to other export market opportunities. In the orange case (COAGROSOL), the farmers had to diversify their production and activities in the coop in order to ensure its financial viability, generating the same principal-agent problems as those observed in the cases operating under the domestic food system.

[14] In the APAC case, Neither Schultz (op.cit.) nor Brancher (op. cit.) documented these consequences.

[15] In political science and economics.

[16] In Brazil, where hierarchy and personal relations differentiate the citizens, the magnetism of a specific individual is highlighted by his relationships. Paternalism,, that that sprouts directly from this combination of power concentration and personalism (Tanure and Duarte, 2005), is still typical of latin american management in certain context and notably in rural worlds (Martinez, 2005).

Summing up all three food systems, we see that the arguments in support of pursuing the agro-ecological development based model for small holder inclusion are confirmed in our case study analysis.

However, the cases from the AFS show that not all farmers are satisfied with their conditions and opportunities for market exchange under these systems. Recall that AFSs in Brazil are not only conceived to benefit smallholders alone, but also to establish solidarity and fair-trade relations with low-income urban consumers. This leaves farmers with only limited earnings when joining AFSs. As illustrated by our cases, this limitation drove some of the farmers to diversify and sell part of their production to higher-income consumers, thereby disavowing their original commitment. In one of the cases (ARPASUL), a number of the farmers even chose to quit the alternative system and move into the domestic oriented food system driven by the supermarkets.

The overall problem though does not seem to be about earnings *per se,* but more about the balance and 'trade off' between the huge amount of time farmers invest in coordination and exchange practices within the AFS and the income the farmers receive in return. What may be interpreted as richness for some farmers (building social ties, participative decision-making), may indeed be experienced as high coordination and transaction costs for others. This means that only a strong adherence to the ideology and values inherent in the AFS will enable farmers to experience them as positive. Otherwise, they are likely to leave the system.

Leaving the "alternative" system was, for the APRASUL farmers, strongly dependent on the possibility to engage in what they perceived as a more attractive opportunity, i.e. the progressive growth and structuring of the supermarket procurement system. Indeed, entering this system offers the smallholders the opportunity to dramatically increase their production volumes and – at least in the beginning – their income. Likewise, it also meant less involvement in highly time consuming farmers' collectives, as intermediary firms with a professional management team took charge of the important tasks of coordinating and marketing the farmers' fresh produce. As a result, it enabled farmers with a more entrepreneurial spirit to take advantage of other market opportunities. Such attitudes echo the growing aspirations of farmers in rural contexts, such as the ones studied here. Indeed, many Brazilian rural zones have experienced profound changes these last decades. Relations with the cities have gained in scope and density, resulting in the penetration of modern lifestyles and important social re-compositions (Campanhola and da Silva, 2000 ; Wilkinson, 2008). Even if social life is still marked by traditional forms of sociability and solidarity in many of these rural areas, change often involves the weakening of these values and an increase in capitalist and individualist oriented logics. Smallholders are becoming critically included in the consumer society and wish to benefit from its fruits and facilities and they therefore require a higher income. Values are changing and merit is increasingly achieved through economic success, thereby stimulating the flourishing of entrepreneurial logic.

5.2. The role of facilitators

All the case stories analyzed here show the crucial role played by non-profit "facilitating" organizations in facilitating the inclusion of smallholders in the organic sector, whatever food system is under consideration. In every case, and according to the perspective adopted here, the involvement of these entities was crucial in lowering the high transaction costs ex-ante faced by small farmers when trying to meet consumers within the organized food procurement systems of specific organic arenas. This was achieved by, a) offering technical and educational support for the conversion to organic production, b) supporting farmers in establishing market organizations (associations or cooperatives), c) bridging actors (farmers, distributors, consumers) and reinforcing their respective trust towards each other, which contributed to a positive market environment of simple exchange. Likewise, the involvement of these facilitators made it possible to connect the smallholders to a broader resource supporting environment: e.g. non-profit regional to international organizations, including Fair Trade organizations, public agencies, consumer associations, etc. This type of system innovation further enabled the farmers to access funding - from both governmental agencies, as well as non-governmental organizations – which later turned out to be crucial for the farmers' initial and ongoing needs to innovate in the labor, product and production processes.

One of the main distinctive features within this set of experiences is the varying availability of ongoing support for the farmer groups ex-post. In only three of the documented experiences (AECIA, APRASUL, AEMB) did the facilitating entities become involved beyond the initial step of inclusion to offer continuous support in the developmental and marketing process. Basically, they helped the farmers to revise their marketing strategies and to reorganize their collective organization when the farmers were facing different types of crisis and internal, as well as external, tensions . Conversely, in the three other experiences (APAC, H&A, COAGROSOL), lack of such ongoing support was severely felt, due to the fact that the farmers were included in highly competitive markets with strong unequal bargaining power along the food chains. Still today, the farmers involved in orange production for export within the Fair Trade Systems are struggling to survive. Hence, our case analysis points to the fact that there is a great need for smallholders to achieve various kinds of support ex-post when entering the competitive commercial food systems, whether it is for the domestic, or export oriented markets.

The problem is that NGOs, in our cases, were only involved in the development process ex-post when farmers were included in the AFS, and that public and para-public entities, in all cases, were absent ex-post from all food systems. This points to a serious limitation concerning the involvement of NGOs and faith-based organizations as facilitators in the current Brazilian context. In line with the Brazilian agro-ecological movement, their activities are strongly oriented by values - stressing transactional processes of trust, solidarity and social welfare – which makes them very critical of market-orientated dynamics, such as those exemplified by supermarket driven food systems. NGOs and faith-based organizations are therefore reluctant to support farmers who are involved in these food systems and, from a broader perspective, any dynamic farmer change that is dependent on capital and is commercially market-oriented. This means that in the current context, farmers included in the modern supermarket driven food systems can hardly rely on NGOs or "faith-based organizations" to help them face the huge challenges they experience in these systems.

Our work thus points to the fact that there is a serious need to improve the Brazilian public and para-public advisory systems, dedicated to capacity building and extension for smallholders, alongside the activists' organizations (NGO, Faith-based etc.). Structures such as SEBRAE, EMATER, which are State specific, or "Casas da agricultura" (agricultural chambers) should be reinforced so that they are able to provide support at various developmental stages. This would include training farmers in business and organizational issues, ensuring that proper Principal-Agents relations are established when helping farmers to form coops or market associations, helping in instances of conflict to secure sustainable resolutions, finding reorientation strategies for farmers and groups of famers who show a willingness to either replace, or expand into another food system, or even exit agriculture altogether to find employment outside the agricultural sector.

Conclusion

The Brazilian left wing Government elected in 2002, and re-elected in 2006 and 2010, promised to democratize national policies and intensify the fight against poverty and social, political and cultural exclusion. Over the last 8 years, discourses followed by concrete actions have emphasized reforms to establish new partnerships between the public- and private sector, civil society and Research Institutes in order to deal with economic development and poverty alleviation (Hogenboom and Jilberto, 2009).

In this regard, organic farming is seen as a potential solution to improve the livelihood of smallholders. In Brazil, the organic sector is growing and is represented in four food systems: The AFS, a modern food procurement system oriented towards a commercial domestic and export market and a public procurement system.

NGOs, faith-based organizations and public related entities are strongly committed to the inclusion of smallholders in the organic market, which operates in these various food systems. However, smallholders encounter an array of multifaceted problems as they progress, which are not addressed when it comes to the modern commercialized food procurement systems.

Since NGOs and faith-based organizations are reluctant to support smallholders in commercially market oriented food systems, efforts should be taken to provide a policy frame, which enables public related entities to both secure a sustainable inclusion, as well as exit strategies for those who experience exclusion. It is important that such a policy frame provides solutions to the broad diversity of constraints, motivations and perspectives held by Brazilian smallholders, whether they are keen to maintain traditional lifestyles, or adopt more modern ones.

Examples of elements in such a policy frame could be a) the establishment of a task force pro-actively helping farmers to develop clear rules for setting up a cooperative, or a market organization, b) mediating and functioning as a neutral third party when crises occur in farmers' organizations, c) facilitate dynamic flows between the different food systems, thereby compensating the bias of the NGOs and, d) provide relevant exit strategies whether related to non-farm activities, or part-time farm opportunities.

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