

The London School of Economics and Political Science

**Brazilian Açaí Berry and Non-Timber Forest Product value chains as determinants of development from a global perspective**

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## **Abstract**

The present research concerns the global 'value chain' of the açai berry, a Non-Timber Forest Product (NTFP) derived mainly from the Tocantins Estuary region in the State of Pará, Brazil, and which sustains its mostly riverine population. Through the adoption of methodologies employed in studies of Global Production Networks (GPNs), the study aims to identify how contextual factors have, over time, influenced the formation of the chain by actors across geographical scales, how they sustain the chain in its current configuration, how they enable or preclude the capture of value regionally, and influence development outcomes. Existing research and interventions continue to be predicated on locally-based approaches that aim to cut out middlemen or otherwise reshape local extraction and processing arrangements, without taking into full consideration the ways in which the chain is embedded into different social, economic, and cultural contexts across geographic scale, conditioning chain formation, value distribution and actor behavior.

The empirical work was carried out in the form of semi-structured interviews, supported by secondary data and field observations. Field research sites included several locations in the interior of State of Pará, its capital Belem, the States of São Paulo and Rio de Janeiro in Southeast Brazil, as well as coastal towns in California, USA. From these findings, key policy recommendations are made, which are applicable to this specific NTFP chain, but which can be extrapolated to other NTFP chains. The research also employs knowledge about consumer cultures, and the subjectivities concerning value determination, to investigate the role of consumer myths about a product in contributing to its value chain. The conclusion indicates that a whole-chain approach, which appreciates in a reflexive fashion the ways in which actors negotiate territorial specificities to configure chains, is instrumental in the development of efficient, strategic policy programs that aim to improve the income of forest communities that exploit NTFPs. In order to understand, and build trade-based development interventions, researchers and practitioners must engage with the structures, material and cultural, that encase chain relations across geographical scales.

## TABLE OF CONTENTS

<b>Abstract</b> .....	3
<b>Chapter 1. THE AÇAÍ BERRY AND THE DEVELOPMENT POTENTIAL OF NTFP GLOBAL VALUE CHAINS</b> .....	6
1.1 Introduction .....	6
1.2 The purpose of the research.....	7
1.3 Structure of the thesis .....	11
<b>Chapter 2: ON NTFP VALUE CHAINS</b> .....	13
2.1 Introduction .....	13
2.2 NTFP development interventions in context.....	14
2.3 Value-chain thinking applied to NTFPs: how chains form and how value is distributed .....	18
2.4 Upgrading – strategies for capturing value and fostering local development.....	34
2.5 Unravelling discourses about value creation and distribution in value chains, and in NTFP chains in particular.....	40
2.6 Conclusion .....	44
<b>Chapter 3 The Contribution of Cultural Studies to Value Chain Research</b> .....	47
3.1 Introduction.....	47
3.2 The commodity fetish and the obscuring of the value chain actors.....	49
3.3 The semiotics of ecobranding and their impact on value formation and distribution of NTFPS.....	53
3.4 Reconfiguring meanings – postmodernism, consumer agency and the iterative construction of the açaí myth.....	60
3.5 Conclusion .....	66
<b>Chapter 4. METHODOLOGY FOR THE RESEARCH</b> .....	68
4.1 Introduction.....	68
4.2 Positionality and research ethics.....	69
4.3 Choosing a methodological toolkit.....	72
4.4 Mapping the value chain - Determining its configurations and actors.....	74
4.5 Conducting interviews to understand chain embeddedness and upgrading trajectories.....	75
4.6 Focus groups - understanding consumer myths and relating them to chain configuration.....	79
4.7 Analytical process - connecting field data to research questions.....	81
Figure 4.1 The açaí production network.....	83
<b>Chapter 5. THE RIBEIRINHOS OF PARÁ, BRAZIL, THE HARVESTERS OF THE AÇAÍ BERRY AT THE BASE OF THE VALUE CHAIN</b> .....	84
5.1 Introduction .....	84
5.2 Local chain formation.....	85
5.3 Tracing the chain.....	86
5.4 Embeddedness and Factors That Influence the Açaí Chain Configuration.....	89
5.5 Capturing value .....	96
5.6 Conclusion .....	105
Table 5.1. Analytical matrix – Ribeirinhos.....	110
<b>Chapter 6. FROM THE FOREST TO THE CITIES – MIDDLEMEN, BATEDORES AND FACTORIES IN PARÁ, BRAZIL</b> .....	112
6.1 Introduction .....	112
6.2 Tracing the chain from the forests to the city.....	113
6.3 Embeddedness – extracting context and its relation to chain configuration.....	121
6.4 Value capture.....	126
6.5 Conclusion .....	131
Table 6.2. Analytical matrix – Marreteiros, Batedores and Processors in Belém, Brazil	

.....	134
<b>Chapter 7. THE SOUTHEAST OF BRAZIL AND URBAN BIRTH OF ‘AÇAÍ POP..</b>	<b>136</b>
7.1 Introduction .....	136
7.2 Tracing value-chain formation: How did the açaí trade achieve its current status?.....	137
7.3 Tracing the chain in its current configuration in the Southeast region of Brazil.....	140
7.4 Embeddedness .....	144
7.5 Consumers in the Southeast region of Brazil.....	151
7.6 Value Capture.....	154
7.7 Conclusion .....	156
Table 7.1 Analytical Matrix for the Southeast.....	160
<b>Chapter 8. THE UNITED STATES AND CALIFORNIA - CO-PACKING, ‘BEACH BUMS’ AND ‘YUMMY-MUMMIES’</b>	<b>163</b>
8.1 Introduction .....	163
8.2 Tracing chain formation: how did açaí get to California? .....	164
8.3 Tracing the chain in California and the United States.....	166
8.4 Embeddedness in the Californian chain in the United States.....	171
8.5 Consumers.....	178
8.6 Value capture.....	182
8.7 Conclusion.....	186
Table 8.1 Analytical Matrix for California.....	189
<b>Chapter 9. CONCLUSIONS</b> .....	<b>192</b>
9.1 Introduction .....	192
9.2 Açaí value chain formation.....	193
9.3 How network thinking and embeddedness allow us to understand value-chain configuration, value-capture possibilities and development outcomes.....	196
9.4 Consumer markets and consumer power.....	204
9.5 Policy recommendations – consumer myth making and alliance building.....	206
9.6 Theoretical considerations for Value Chain Scholarship.....	213
Table 9.1 Final analytical matrix.....	219
<b>References and Bibliography</b> .....	<b>220</b>
<b>Annex I – Interview list</b> .....	<b>246</b>

## Chapter 1. THE AÇAÍ BERRY AND THE DEVELOPMENT POTENTIAL OF NTFP GLOBAL VALUE CHAINS

### 1. Introduction

The present research focuses on the production, processing and marketing of açai berries. These small fruits are borne by the species of palm tree *Euterpe oleracea*, native to the Amazon Basin, and sustain several thousand families in the State of Pará, Brazil. A traditional 'famine food' of Western Amazonia, the açai berry has in the last few years become fashionable in global markets as a 'superfood' – a foodstuff with alleged extraordinary benefits to human health. The boom in consumption has made this crop the key source of income for most riverine populations in the State of Pará. It is estimated that local families can receive anything from US\$ 1117/year to US\$ 3513/year from açai exploitation (IBGE, 2015). The region is one of the poorest in Brazil, though it holds immense potential wealth in its forests. Harvesting of the açai berry has helped realize part of that potential, and has reshaped the region's economics, generating R\$ 422 million (Brazilian Real) in 2014 (IBGE, 2015). Though this is a small proportion of Brazil's R\$ 125 billion Gross Domestic Product (GDP), the açai berry trade seems to generate wealth at the base of the social pyramid, through its inclusion of the Ribeirinho smallholder while much of the State's activity centres on mining and large-scale ranching, which concentrate wealth (Brondízio, 2008).

The international açai market has emerged spontaneously, with minimum intervention from governments and development organizations. Overcoming logistical and institutional barriers, strong demand for açai berries and supply- and product-development systems made them a global commodity. Understanding how and why this has happened could provide important clues for development professionals seeking to replicate that success for other produce and/or NTFPs, and other commodities. The establishment of the açai berry's 'value chain' – the various activities that are used in a specific industry to deliver a product or service to the market whereby additional value or revenue is amassed through the chain (Porter, 1985) – has resulted in a substantial, and recognized, improvement in local livelihoods, while encouraging forest conservation. It is a rare win-win situation, in a region with historically high poverty and deforestation rates. It is also an incredibly intricate chain, spanning the tortuous canals of the Tocantins River, to processing plants in urban centres, travelling by ship to America, Asia, and Europe, and by truck to the South of Brazil. It is then processed into a wide range of products, including foodstuffs like sorbets, and even shampoo.

The insertion of such an 'exotic' ingredient into global markets is no negligible feat. Markets are faddish and difficult to reach, and the global adoption of a novel

foodstuff/herbal product ingredient is far from a common occurrence. Development organizations have been attempting to market similar products for some time (sustainably harvested forest products), with, at best, mixed results (Belcher 2007). Non-Timber Forest Products (NTFPs) such as açai have long-fascinated researchers and economic commodity practitioners alike, because of their potential for social and conservation win-wins. They allow local communities to have an income while causing minimal deforestation. Yet creating sustainable trade pathways that generate sufficient income for communities is a challenge. Many development projects and trade partnerships have thus taken shape, in a programmatic context that Hall dubs 'productive conservation' (Hall, 1997). Such projects aim to find ways of harnessing the trade potential created by globalization, by organizing local communities, improving harvesting conditions and changing the structure of existing value chains, or creating new chains, to allow communities to capture more of the revenue that is generated through trade. However, success has been limited. Producers continue to strive, but struggle, to get these products to market in an equitably beneficial way. In Brazil, NTFPs represent a mere 1% of the total income generated by silviculture. Wood extraction still represents the overwhelming majority of economic activity in its tropical forests (IBGE, 2015).

Initially NTFP research was very locally centred, and community oriented, but recently researchers have been calling for a more-holistic, chain-based approach to both investigation and project implementation (Ruiz Pérez 2004, Shackleton 2011, te Velde 2006, Marshall 2006, Pokorny 2012). This new perspective follows a trend in overall development research and practice. As economies globalize, and production webs internationalize and interconnect, it has become essential to understand how these products fare beyond the local sphere. It is now widely recognized that consequent factors can have a direct impact on local circumstances. Yet very little research has been carried out that is multi-sited, and adopts a whole-chain, holistic approach.

As countries and regions integrate into globalized economic flows, drivers outside nation states condition outcomes for development as much as local contextual issues. Scholars speak of an 'axis', between a vertical pull of global flows, particularly of trade flows, and a horizontal axis, where issues of local governance, human capital, logistics, finance and other conditioning factors combine to produce determinate development outcomes (Coe and Yeung, 2015). Within this context, the study of value chains has proven a valuable tool to reflect the analytical challenges posed by globalization, and increasingly so, its discursive biases.

## 1.2 The purpose of the research

- To investigate how the açai berry value chain took shape over time, and how society determines notions of 'value' and creates trade links,

- To determine what factors (contextual and intra-chain dynamics) shape the açai berry value chain, and its present configuration across geographic scales,
- To evaluate how value is shaped and distributed in the chain, and with what development outcomes, at each scale and at the local community scale.
- To determine what kind of policies could enhance these benefits within the açai berry supply chain, and can be applied to other, similar, chains to increase their chances of success (i.e. their ability to remain economically viable in the long term, while providing satisfactory development and conservation outcomes).

At present, there are no peer-reviewed examples of such research being carried out, spanning the entirety of an international NTFP value chain, from origin to consumer. Although some value-chain research has been published, it remains mostly local/regional in focus. This study therefore aims to carry out international, multi-sited research, to attempt to create a whole-chain view of the açai business, and investigate relations between geographical scales.

The specific case of the açai berry can provide unique insight into what makes an NTFP chain successful for several reasons. It is a newly developed market, and therefore it is relatively easy to trace its inception and the factors that helped create the current trade scenario. It is also a sufficiently widespread market relying on both small- and large-scale activities to provide a representative account of global flows. It is essentially still grown as an NTFP, though monoculture efforts are intensifying. In essence, the chain is relatively young, and a thorough investigation could provide vital information about what can make NTFP interventions successful.

Investigating and identifying the key elements of success of the product is thus a potentially beneficial endeavor for those wishing to expand, and replicate it in related endeavors. The research tracks the entire chain, from harvesting through processing to the market in the Southeast of Brazil, and to the market in the US, most specifically, California.

Qualitative interviews were used to identify actors and their roles, and to ascertain how these actors have worked to set up the value chain, and in what context. Questioning lines included how processing facilities in consuming countries handled the commodity, on what terms new products were developed, and what the market requirements that direct the consolidation of trade relations are. For example, what factors, local or not, enabled actors to negotiate the extremely difficult logistics of riverine transport to establish pulp freezing facilities and begin exporting? How have the regulatory and social hurdles been overcome and new structures been put in place to accommodate trade? How do actors manage to form and sustain global trade links? These questions remain unanswered for the açai berry trade, and are mostly neglected in NTFP scholarship in general.



There are several analytical and methodological pathways available for conducting value-chain research across multiple sites. The most widely employed of these methodologies, until recently, was the value-chain paradigm postulated by Gereffi (Gereffi 2011), based on the work of Coase (Coase 1937), which uses input-output calculations to determine intra-chain governance and explain outcomes, and point to possible pro-development alternatives and ‘upgrading’ strategies (ways individual actors can reposition in the chain to capture more value). This body of research has nonetheless been criticized for its inability to factor in context, thus providing a poor account of how the chain is woven into the territorial and social fabric that condition its existence (Bair 2008).

To redress these shortcomings to a certain extent, a new concept has emerged, entitled ‘Global Production Networks’ (GPNs), which seeks to explore how a value chain forms, and functions within its context – its ‘embeddedness’. This approach allows for qualitative methods to be used, and for a more nuanced, textured, rendition of the chain’s workings to be produced (Coe 2008). Considering that the açai chain spans such a notable diversity of settings across geographical scales, GPN thinking was selected as being the most suitable to the current research. The notion of ‘embeddedness’, which can be subdivided into societal embeddedness, territorial embeddedness and network embeddedness, further allowed an integration of the current, highly qualitative, existing literature on developing NTFPs to be integrated into the project’s literature review, providing a solid foundation for this investigation. The concept of embeddedness and its relation to NTFP chains is reviewed in detail in Chapter 2.

Value-chain scholarship is not without its blind spots. It is marred by a ‘productionist view’ of economic activity. Economists are accustomed to examining the economic process from resource extraction to consumption, in sequence, and focus on how raw materials are transformed into finished goods through labor input. This is how value is added, and how the economic cycle functions. In this context, consumption is simply the completion of the cycle, and the consumer is passive. The power to shape economic relations lies in those who control the capital and exploit the labor, constricted as they may be by structural/material factors such as logistics, or policy environments (Yeung 2014, Levy 2008).

Yet, increasingly, we move towards a fully-fledged consumer society, where the value of goods is often divorced from their use-value, or the sum of the cost of inputs. We buy goods based on subjective meanings, and not their intended use. We buy brands to express our identity, for example, wearing clothes not just for practical reasons but to identify our preferences and status. This viewpoint, starting from consumption and looking backwards, remains underexplored in the traditional value-chain literature (Yeung 2014, Prahalad 2004).

In the value chain literature, marketing is considered a key activity, as is design, while consumption represented as a passive act. The formation and shaping of demand and value in consumer markets thus remains somewhat nebulous. The fact that consumers are seldom studied as actors in value-chain models leaves us without a key realm of power, and without a meaningful understanding of the mechanics of exchange value formation, as has been recognized by the value-chain literature itself (Gradin 2016). Criticism has been aimed at the Global Value Chain (GVC) and Global Policy Network (GPN) literature for its exclusion of consumer perspectives, and lack of reflexivity, as is shown in the following chapter. Researchers have begun to embrace these aspects in the value-chain literature, bringing in new developments from cultural economy and post-structural thinking (Yeung 2004, Levy 2008, Gibbon 2008, Barnes 2001, Bartlet 2003, Booggs 2003, Dicken 2002).

In the case of the açai berry trade, the role of 'consumer myth' formation is central. The açai berry is not at all a fungible commodity, such as iron ore, or timber. It is a commodity whose worth is controlled by cultural values. It is as a health 'superfood', with health benefits asserted as a result of its high antioxidant content, that açai has found a place in international markets, particularly in the USA. It has found success because of its identity in contemporary health trends. It became a successful commodity in the South of Brazil following the rise of jiu- jitsu (a martial arts) movement in the late 20th century, and later, where it became part of the local surfing culture that then gave it exposure in California in the early 2000s. It has become a staple ingredient in juices, smoothies, cereal bars and even cosmetics, for example. Although it is estimated that the 'fashionable' phase of the product has waned, with consumers moving on to other, new, superfood trends, such as kombucha, or maca, the market has endured. Pioneer companies, such as Sambazon, founded in 2000 in California, have had remarkable sales in the last ten years, and continue to grow. The açai berry has also reached European markets and Asian markets, cementing its status as a global superfood. It is crucial to understanding of açai's success to unravel its appeal, to understand how it was developed and how it drives demand, and, in consequence, to understand the value-chain configuration.

It is important to note that these factors are not unique to the açai chain. NTFPs are, by the nature of their extraction process, niche products. They cannot be easily mass-produced within forest scenarios. Understanding how these niches form is thus relevant to the broader NTFP literature, in addition to representing an evolution within the wider value chain body of literature. Adding this dimension to the analytical framework also allows for discussions about conservation, tropical forest community identities and products (such as the 'commodity fetishism' literature, see below) to be incorporated into the literature review, providing another linkage to the existing NTFP and development literature from which extrapolations can be made.

Though under-theorized in development and value-chain scholarship, consumption and the formation of value in our current cultural context is the object of a vast body of literature, from commodity fetishism to cultural studies as well as the practical knowledge concerning product branding. Researchers have employed many methodologies and analytical lenses to understand the rise of globalized consumer society, and how this new economic paradigm has reshaped social relations, economics, and power structures. It is through this lens that we can begin to grasp how, why, and with what outcomes, demand has been generated for the açaí berry, and to trace this 'pull' back up the chain and examine its impact. There further exists a great deal of literature on of alternative consumption, Fairtrade and eco-consumerism from which to draw on and further strengthen analysis.

To investigate, as far as possible, the ways in which the açaí chain has taken shape, two analytical 'lenses' are proposed, at opposing ends of the chain. One in accord with the traditional productionist paradigm, examining the production of açaí, from extraction to consumption, using value-chain methodology. The other is placed at the consumerist viewpoint, looking back towards the chain, to investigate the formation of 'value' and chain configuration in consumer markets. This approach ensures that both a 'top down' and 'bottom up' analysis can be combined to form a three-dimensional picture: these two foci together provide a richer, more-contextualized, three-dimensional account of the formation of this chain than either of them could do individually.

### 1.3 Structure of the thesis

To explore the formation and configuration of the açaí value chain, the thesis is structured as follows:

- Chapters Two and Three present literature reviews, which correlate the literature on value chains and NTFPs (Chapter Two), and consumer cultures and value formation for NTFPs (Chapter Three);
- Methodology is developed in Chapter 4, to elucidate the how's and whys of research design, its advantages and shortcomings;
- Chapter Five focuses on the interior of Pará, Brazil, centering on Ribeirinho producers and their way of life, as well as their connection to the chain;
- Chapter Six takes us to Belém do Pará, and investigates the middlemen and processors that take the fresh berries, transport them and make them into either fresh or frozen pulp;

- The açai industry and consumers in the Southeast of Brazil, where most of the production occurs, and where the contemporary ways of consuming açai originated are the topic of Chapter Seven;
- The final fieldwork chapter (Eight) is based on Californian industry and consumption, where açai has made its most relevant international foray, and where a vastly different business environment and consumer landscape creates very different chain configurations;
- The final chapter provides a summary discussion of the açai chain, its formation and configuration and offers policy recommendations, as well as a discussion of the theoretical advances made possible by this work.

## Chapter 2: ON NTFP VALUE CHAINS

### 2.1 Introduction

The present chapter aims to relate the existing body of knowledge on value chains to the discussions about the trade of Non-Timber Forest Products (NTFPs). Although the need to rethink the 'toolkit' concerning NTFP trade-based development interventions has often been recognized in the literature (see below), few advances have been made that can elucidate how chains take shape, how value is distributed, and what kind of interventions can maximize gains to communities. Juxtaposing existing research on NTFPs with the value-chain literature helps to draw out preliminary insights that can be further developed in investigative empirical research.

In general, the focus of NTFP research has been at the local level, or regional, at best, with few investigations embracing the whole range of activities from local to international, which would facilitate inter-scalar analysis. Many of these forest products are traded globally, involving different business environments, from raw NTFPs to packaged consumer goods. Yet little is recorded about the breadth of market and the detailed operations and processes involved, the material transformations that reconfigure the products, or the subjective transformations that transpose the products for new audiences, beyond the community level. Gaining a holistic understanding of the business of NTFPs from a value-chain perspective can thus prove quite challenging. There is a general tendency to focus on 'community-based' interventions that do little to elucidate the webs of relations, and institutions that bind trade networks and condition value-chain formation. Despite the recent adoption of holistic chain terminology, the type of work that is being done remains predominantly unchanged (te Velde 2006, Marshall 2006, Pokorny 2012). Although te Velde's research adopts fully the Gereffi value chain approach, discussing governance and upgrading, for example, his research never moves beyond the local scale. There is virtually no data regarding any of the NTFP chain's functioning, contextual or otherwise, past the local level'. In the first section of this chapter, the history of NTFP interventions is explained, and how those interventions came to be implemented, from this local perspective.

In the following sections, the range of new analytical tools are examined, particularly Global Production Network (GPN) theory to show how they can provide new insight into research, analyse outcomes and in formulating policy recommendations for NTFPs. The factors that condition formation and maintenance of chains across scales are identified, and how they can be made to secure long-term income improvements to forest peoples are considered. This can be used to establish to what extent chain configurations and 'value capture' are conditioned by intra-chain dynamics or the contextual issues that surround the chain ('embeddedness'). A further discussion is provided about how the productionist bias in value-chain

research can be overcome to incorporate the important lessons of cultural economy, to examine more critically certain pillars of value chain research, including the formation of value.

## 2.2 NTFP development interventions in context

For decades, forest development and forest conservation remained separate activities, and were often analysed in conflicting discourses, dominated by Western actors (Bakker, 2010). However, with the easing of the 'Cold War' (a period where there was hostility between the Soviet bloc countries and the Western powers between the Second World War and 1990) and the unfettered rise of neoliberal ideologies, as well as the rise of social movements throughout the developing world, a new discourse on conservation emerged. Local activists such as Chico Mendes (1944–1988), a Brazilian rubber tapper, whose livelihood was endangered by mainstream development, joined up with conservation groups to fight deforestation, gaining substantial media attentions (Hall, 2007). The World became more aware of the existence of subsistence forest peoples, after ignoring local resistance from local populations to the restrictive, punitive 'fines and fences' paradigms of conservation for decades (Brown and Rosendo, 2000). Conservation had very much been an exercise in policing, keeping people out of conserved areas, and imposing fines for trespassing - very much in line with colonial and post-colonial governance mind-sets. In this new configuration, conservation groups assumed the position of benevolent protectors of forest people, seeking to empower them, while gaining even greater perceived legitimacy for their agenda. These people were amongst the World's poorest, and the imagery portraying their pure, holistic and ancestral ways of life were a powerful marketing draw.

The need to simultaneously conserve forests and protect indigenous ways of life was a cornerstone of the United Nations Conference on Human Environment held in Stockholm in 1972<sup>1</sup>. The poverty-deforestation link was further explored in the World Conservation Strategy of the IUCN<sup>2</sup>, a softening of the 'fines and fences' approach. There was growing consensus on the need to ensure that benefits from conservation would accrue to local communities, as set out in the Bali Action Plan, an outcome of the 3rd World Parks Congress in 1982<sup>3</sup>. The publication in 1989, by the COICA, a group of indigenous organizations from the Amazon, of Two Agendas on Amazon Development<sup>4</sup>, was a breakthrough in exposing the incongruences between the development and conservation agenda for the region (Arts and Buizer, 2009). The Integrated Conservation and Development project (ICDP) sought to replace the 'fines and fences' approach (Belcher, 2005; Barretto Filho, 2009, de Jong 2012).

<sup>1</sup><https://sustainabledevelopment.un.org/milestones/humanenvironment>

<sup>2</sup><https://portals.iucn.org/library/efiles/documents/WCS-004.pdf>

<sup>3</sup><https://link.springer.com/article/10.1007%2FBF02240060>

<sup>4</sup><https://www.culturalsurvival.org/publications/cultural-survival-quarterly/two-agendas-amazon-development>

Hutton *et al.* (2005) identified four main reasons for the rapid adoption of this new discourse. First, it built a link to the concept of ‘sustainable development’ as set out in the highly influential Brundtland Report<sup>5</sup>. Second, it embodied the rediscovery of community- and grassroots-action as a counterpoint to state-led initiatives. Third, the discourses spilling over from the development arena of decentralization were easily packaged into this new breed of conservation project. Finally, the ‘New Policy Agenda’ of the Washington Consensus, with its market-based, neoliberal aesthetic, was perfectly suited to this non-state based approach (Hutton *et al.*, 2005; Arts and Buizer, 2009). This policy thinking was in direct opposition to that previously promoted, in that it emphasized market-driven solutions as opposed to central planning and state-led initiatives. It also encouraged the dismantling and streamlining of State bureaucracy, and thus led to the devolution of several activities to local governments. New ways of managing sustainable forestry, which were decentralized and market-based rather than centrally planned and state-led, were needed (Arce, 2003; Asher and Ojeda, 2009). Hall dubbed this new mode of conservation as ‘productive conservation’ (Hall, 1997, 2006). Communities gained some social benefits, and mostly acquiesced, to access much-needed funds (Hajjar *et al.*, 2011; Le Tourneau and Kohler, 2011).

This new policy package often included creating cooperatives and associations to market products in ways that diminished transaction costs and enabled scaling of production, while propagating, in local communities, a conservation discourse that matched that of donors. ‘Value’ is created at community level by taking it from self-interested middlemen and the rebuilding of trade links directly with ‘fairer’ markets. New rules were put in place to enable participatory decision-making and conflict resolution, such as community-based resource management. Much effort was put into training and building infrastructure to enable participation in markets. Communities were encouraged to participate in the demarcation and sustainable exploitation of their natural resources, in the hopes that their increased involvement would stimulate them to protect their forests, as well as provide additional income (Agrawal and Gibson, 1999; Belcher, 2005).

Within this context, the commercialization of NTFPs became a top priority. It was a natural ‘win-win’ situation, allowing forests to remain standing while providing income for local communities (Arnold and Pérez, 2001; Belcher 2005; Belcher *et al.*, 2005; Charnley and Poe, 2007; de Jong, 2012). It was the ‘Rainforest Crunch’ paradigm<sup>6</sup>, which sought to harness the benefits of global capitalism, decentralization and neoliberalism in favour of conservation and development. New product lines were developed for Western markets using NTFPs gathered by forest communities in the developing world. Forest people and conservation were a key draw for their

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<sup>5</sup> World Commission on Environment and Development, 1987, "Report of the World Commission on Environment and Development: Our Common Future"

<sup>6</sup> Named after the Ben and Jerry's ice cream flavour, aimed at building incomes and raising awareness of forest livelihoods, using Brazil nuts that were ethically sourced, and launched (and pulled from shelves) in 1988

marketing, and new trade relations were set up with communities to ensure supply. Marketing was often based on documentary-style images of poverty, primitivism, and wilderness, and the innocence and purity of forest peoples (Anthias and Radcliffe, 2013). How this type of image formation and marketing strategy served to value or devalue products, and the validity of uprooting local trade relations, were glossed over (as further discussed in Chapter 3). The general discourse was that of cutting out the middleman and building direct links with 'the market', in an amorphous way that transcended the local scale (Asher and Ojeda, 2009).

The overwhelming majority of projects aimed at improving the commercialization of NTFPs thus acts by substituting the existing web of traders that linked producers and consumers by a new, improved and 'fairer' extraction and trading system which would balance power and improve the terms of trade of communities. The discourse is that of a new trade paradigm for specific commodities in contrast to mainstream trade relations. The assumption here is that development is the product of improved conditions at the base level, and that poverty is entirely the result of local disorganization and exploitation. Value formation is portrayed as a local zero-sum game, with local traders depriving revenue or other benefits to local communities (Neumann 2000). There is no discussion of how the community scale interacts with other, broader, scales, of how value is formed and distributed between them beyond the community level. There is seldom any discussion of demand formation.

Very few of these earlier initiatives have survived. Once donor support was withdrawn, these interventions tended to fail in their objectives (Herrero-Jáuregui *et al.*, 2011; Belcher, 2012). Researchers have published a series of reviews and critical pieces, calling for a 'reality check', and a re-examination of the factors that can lead to success (Marshall *et al.*, 2006; Belcher, 2007). In fact, the relationship between communities and markets is more complex than these discourses, or this new development agenda, allow (Peluso and Alexiades, 2005; Charnley and Poe, 2007, Vaccaro *et al.*, 2009). While the majority of case studies usually focuses on 'exotic' isolated communities, the reality is that forest peoples are increasingly becoming integrated into mainstream cultural and social lifestyles and ideologies (Peluso and Alexiades, 2005; Hall 2007; Barretto Filho, 2009; Cocks *et al.*, 2011). The tinkering with local trade dynamics, cutting out pre-existing trade ties, and changing the organization of local livelihoods, is not necessarily beneficial to communities. Despite best efforts to include communities in this new 'participatory paradigm', somehow the fundamentally 'othering' epistemic violence that initially shaped development and conservation discourses remain in place, producing myopic, biased analysis and interventions (Cooke 2001, Anthias 2013, Arce 2003, Arts 2009, Bakker 2010, Burke 2012, Fitter 2009, Le Tourneau 2010, Schakelton 2011).

These discourses, reproduced in the reports, policy frameworks and marketing strategies of these NTFP initiatives and development projects have direct impact on



the livelihoods of forest communities. In the case of AmazonCoop and the Body Shop, for example, Burke (2010) concludes that their discourse on the failure by the Brazilian government to protect the poor and victimized indigenous communities is the cornerstone of their branding strategy. This leads to interventions at the local level that are mistrustful of governments, and which establish program priorities that often have little to do with local realities (such as, in this case, the setting up of cooperatives, but also of a local green pharmacy based on indigenous knowledge), and that are more relatable to consumers than useful to producers. The interventions do little to improve local livelihoods, and are often short-lived. Burke does not find the outcome of these projects particularly productive for local communities in the long term (Burke, 2010, 2012). What much of the 'Rainforest Crunch' type of interventions thus end up promoting are local-only interventions that force outside ideas into the community life, rather than embracing activities that effectively make sense to local people and their context. Little is done to investigate that context, or the role played by intermediaries, local institutions and actors across scales in shaping value and sustaining trade. **The most-effective changes are those initiated locally which offer maximum 'bottom up' benefits for communities. The top-down creation of new trade pathways that are not culturally significant to local actors, and do not effectively contemplate the vicissitudes of trade, has in general produced unstable interventions with questionable benefits to communities in the long term** (Neumann 2000, te Velde 2006, Belcher 2005).

More recently, the general upswing in interest in value chains in overall development has reached NTFPs, and produced new studies and interventions (Jensen 2009; te Velde 2006). NTFP value chains have also been discussed in the academic literature, and in reviews and papers on commercialization, though not necessarily employing value-chain terminology. The adoption of value-chain jargon does not often, however, question underlying assumptions about trade and development. The type of intervention undertaken by agencies has also remained mostly identical. The focus is still local, and the discursive biases and the accompanying tools remain mostly unchanged. Despite the presence of a large number of international value chains under analysis in the literature, there is seldom any inclusion of non-local actors in the studies. In analysing value chains, the localizing 'myopia' is highly problematic. Often, the national business environment itself is not contemplated. Therefore, it is hard to truly trust the totality of findings of much of the literature that claims to conduct value-chain analysis, as a large segment of the chain is typically ignored, and with it considerations of the origin of a large amount of the value (Belcher and Schreckenberg, 2007). This significantly limits the scope of such analysis.

The newer literature on NTFP commercialization, however, can provide a wealth of information on local links in value chains, offering insights into out some key issues in the field. The mere existence of these studies represents a paradigm shift, whereby intermediaries are no longer viewed as mere exploiters of local

communities, but are now construed as valuable links, providing important services such as access to market, quality control, credit, amongst others. Most notably, the work conducted in Mexico and Bolivia by a group of researchers, who traced 16 value chains, analysed factors that influenced success (Marshall *et al.*, 2006), providing a uniquely solid and comprehensive overview of how these chains operate, and what roles each actor plays. In addition to a core paper, describing each chain, te Velde *et al.* specifically apply the Gereffi methodology regarding governance and upgrading (te Velde *et al.*, 2006).

Often, the tools of value-chain analysis can be used to draw out important findings from the wider NTFP literature as well, pertaining to the key issues investigated here: value formation and distribution, development outcomes and policy recommendations. However, these studies often describe extant chains, and do little to investigate how they were formed, how demand sustains them, and what development outcomes they can achieve beyond the community level. The interplay between agent within the chain and the wider geopolitical context, or business environments that surround trade, are undertheorized. The cultural story around value creation is not represented, although is a shortcoming of value-chain studies in general.

### **2.3 Value-chain thinking applied to NTFPs: how chains form and how value is distributed**

#### World Systems Theory

Structural inequalities in trade are at the heart of the writing of World System theorists Hopkins and Wallerstein, who coined the concept of 'commodity chain' in 1977 to shed light on how economic processes have drawn wealth from the periphery of the World economy to its core of privileged nations throughout history. This marked a departure from previous analytical models, which took the nation state and its expansion towards global foreign trade as their locus of investigation (Hopkins and Wallerstein, 1977; Bair, 2005). The purpose of these studies was to illustrate how a 'network of labour and production processes whose result is a finished commodity' reproduces patterns of historical, structural inequality in the world economy, particularly from the 16th century (Hopkins and Wallerstein, 1977).

World Systems Theorists (World System Theory, WST), tracing the transformation and circulation of goods across scales, provide a picture of how the social reproduction of labour in a capitalist system embodies an unequal distribution of power and engenders structural poverty in the developing world, the 'core-periphery drag' (Wallerstein 1974). The analytical lens here focuses on the entire, macro,

'World System', rather than the development of a particular nation or group (Bair, 2005). Power relations are perceived to be set structurally, in a similar way to Dependency Theory (Ferraro 2008). The means of production is set out by the still hegemonic post-colonial west, and force wealth to be dragged from the resource-intensive Global South to their core. This overarching view about the structural inequality of the global economic system is often reflected in the development literature, particularly in the critical analysis of scholars such as Escobar (2011), and throughout this research there are certainly encounter echoes of this 'modernized colonial system of production' in place, and shaping chain outcomes. We see value formation here as rigid, a result of historical colonial relations, with a strong predominance of structure over agency. In existing NTFP value chains, value is mostly captured very far away from communities at the base of the chain, essentially in the end markets of the developed World. This is precisely the type of structural inequality that many NTFP chain interventions have sought to address by forming new market links.

#### The Gereffi approach - Value Chain Analysis

Meanwhile, Gereffi in the 1990s, adapted this approach, narrowing the focus of his analytical lens to a 'meso-level', by separating the two notions: the transformation and circulation of goods and the underlying structures – effectively separating agency from structure. This new approach first appeared in 1994, in a chapter of *Commodity Chains and Global Capitalism*, which set out the bases of a new framework entitled 'Global Commodity Chains' (Gereffi, 1994). In his methodology, Gereffi no longer sought to shed light on the structural inequalities which reproduce hegemonic power structures in global capitalism, but to analyse specific 'value chains' to see how producers at the bottom can capture more value by reshaping their terms of inclusion through 'upgrading'. Instead of looking at the whole, 'macro' picture, a 'meso' analysis is undertaken: a specific strand of trade within a particularly industry, from extraction to final transformation. The underlying assumption here is not only that integration into a globalized, capitalist mode of production is a good thing, but that benefits can be maximized by a strategic, 'whole chain' approach that seeks to attach producers at the bottom of the chain to the most auspicious 'lead firms' in a determinate industry. It is not only a shift in the scale of analysis, but in perspective. Value chains can be reworked to harness development benefits if policies are put in place to retain value at specific production sites/regions. In a way, it is a meso-level representation of the traditional, one-way forward, modernizing vision of development.

Preoccupations with structural inequalities in the world economy are thus somewhat put aside in Gereffi's approach. The step-by-step labour division and material transformation of commodities is dissociated from their social and historical context. The object of study for Gereffi is defined as a single global industry and how it is organized: how value is created and distributed amongst the actors that make up the

chain, and what that reveals about its internal power dynamics. The formation and distribution of value along the chain is taken as a given, objectively, based on transaction-cost economics and the rationality of market behaviour. This line of research is influenced by the business literature and firmly based on the transaction cost economic theories of Robert Coase (1937). According to Coase, firms organize themselves into hierarchical patterns when the transaction costs of switching trading partners exceed the opportunity to garner the lower price or best conditions available in free market forms. This is heavily liberal in its ideological foundations, seeing rational, rent-seeking economic behaviour as the fundamental *raison d'être* of existing trade configurations between firms (Coase, 1937).

It is also important to stress that Gereffi views inclusion in global commodity chains as an unequivocal driver of development, therefore placing himself both in the free trade, and in the development bandwagon. These underlying ideological biases are not without consequences. Gereffi believes that regions can change their prospects, and improve their standing in the global economy if they correctly analyse the trade scenario, and seek the competitive advantages that will allow them to trade with the most-rewarding partners. There is no space for conflict, or for contestation of the existing system. Inclusion into global trade pathways is viewed as inherently a good thing, and it is to be obtained by conforming to the right criteria to make the best of an inexorable globalized economic thrust.

For Gereffi (1994), the ability for a certain firm to 'upgrade', that is, to move up the value-added ladder and capture more value, is directly related to the governance pattern within the chain (Hess, 2008). While WST provides a static portrayal of trade, Global Value Chains (GVC) provide some leeway for movement of actors. However, to do so, all information on context is sacrificed, in favour of intra-chain dynamics, described within the governance frameworks. For GVC researchers, upgrading is the 'holy grail' of globalization. By increasing or changing their share of the production process, firms can increase their share of overall value added, and thus generate local development. Different input-output structures, governance and institutional structures will influence the ways in which firms can upgrade to capture more benefits from trade.

There are few studies that effectively apply Gereffi's framework to NTFP trading, yet some analysis can be undertaken of that literature based on the criteria set out by the former. Regarding governance, many of the existing value-chain studies on NTFPs, researchers tend to find that short chains, with localized markets, tend to be supply driven, while more complex, and spatially stretched chains, tend to be demand-driven. This confirms the findings of Gereffi, regarding factors that influence the governance of value chains across scales. The communities' inability to switch trading partners or access markets directly restricts their ability to make decisions. te Velde's study, which is specifically focused on Gereffi's methodology, further cements this understanding (te Velde *et al.*, 2006). Squeezing communities in this

way ends up putting them in poor negotiating positions, and unable to capture value, which ends up being concentrated, at the local level, in the hands of middlemen.

Traditionally, particularly in the Amazon Basin, the relationship between extracting communities and middlemen has been described as a patron-client relationship, but where buyers (middlemen) exert great control over extractivists and keep them from receiving the fair value for their goods (Hall 1997). The distance from markets, and the reliance of communities on these traders for accessing essential goods and credit ('aviamento') makes for exceedingly unequal relations. Many studies that examine NTFP trade have observed this dominance of traders over communities, detailing how they collude to exploit extractors and take the lion's share of profit. Often, extractivists are kept in perpetual debt, and never gather enough capital to, for example, buy a boat and escape the dominance of traders (Padoch, 1992; Sizer, 1993; Neumann and Hirsch, 2000). From these accounts, we learn that governance patterns of longer value chains as captive, where extractivist communities are tied into existing trade networks. They have little opportunity to switch trading partners, due to their physical distance to market, lack of financial resources and market information. This situation can make upgrading very difficult, and many reports claim this powerlessness perpetuates the poverty cycles that have often been observed in NTFP trade (Neumann and Hirsch, 2000; te Velde *et al.*, 2006).

However, te Velde *et al.* (2006) find that, often, in captive chains, strong lead local entrepreneurs have the power to organize the chain and stabilize supply, finding new trading connections that benefit communities. Without any space within Gereffi's (1994) framework for exploring other contextual factors, such as distance from markets, the notion of captivity of relations between actors does not provide a convincing account of how actors form or maintain these chains. It has nothing to adhere to, in a sense. In this way, governance of the value chain is not in itself a determinant of development outcomes. te Velde *et al.* conclude that by recognizing that the vision of two-way power proposed by Gereffi in his governance framework is insufficient to analyse power relations and their relation to chain formation. The ability of local actors to organize trade relations in challenging environment is central to the formation of new trade links and to maintaining them over time with sufficient efficiency to meet market needs. Although classifying governance types and upgrading strategies is possible, it cannot reconcile these into a convincing matrix to determine development outcomes. The governance framework only analyses relations between two points, both necessarily within the chain, whereas chains are polymorphous entities, spread across scales. Local actors who may dominate the chain are themselves constricted by their own conditions, material and discursive, and subject to power structures that they must also submit to with other chain and non-chain actors.

As Hospes and Clancy (2011) point out in a chapter of the book entitled *Unpacking the Discourse on Social Inclusion in Value Chains*, the Gereffi framework

undervalues existing entrenched power relations and their potential to impact inclusion and distort the distribution of benefits. To redress this imbalance, they advocate a deeper investigation of the relationship of chain actors with non-chain actors who, despite not directly handling the product, have a profound impact on how value is distributed. In addition, at any specific point in the value chain, it is important to question why certain actors are included, and how, and why others are not. The choice for inclusion can be no choice at all, since political and social coercion can take many forms. The outcomes of inclusion must also be understood in the context of wider livelihoods strategies, monetary and otherwise, that make up the life of actors (Hospes and Clancy, 2011). For example, in NTFP chains, the relation of 'captivity' with a middleman can represent a way to free one's self from crushing relations of patronage with local land barons – as is the case of the açai chain, as described below.

Additionally, the governance approach allows only for a discussion of power relation between two points, whereas chains are made up of a multitude of actors, at different scales, forming a 'rhizome' of forces (Hess, 2004). The study conducted by Landstrasse and Lindner (2009) details and compares three international NTFP chains/pathways for the same product, shea, and highlights the power of industrial buyers and processors in consumer markets, who ultimately dictate the terms that national actors implement locally. That is, the constraints that are felt by collectors mirror the market constraints faced by national traders, who do not necessarily set the terms, but mostly translate and adapt them to meet their clients' needs (Landstrasse and Lindner, 2009). A recent study in the bay leaf value chain in Nepal also locates the key power player outside national borders, with power to influence terms of trade higher up the chain as well as with communities of the producers (Choudhary *et al.*, 2014).

The transaction-cost, rationalistic approach also overlooks much of the subjective behaviour that underlies commercial ties, and the choices of individual actors over inclusion. For Gereffi and the wider GVC research community, people/firms choose trade configurations objectively, based on cost and financial advantage alone. This does very little to explain how certain relations are analysed by others, and how they remain throughout time. For example, in perfect free-market conditions, one could easily switch supplier constantly, based on price alone. This is seldom the case: relationships endure, and determine economic outcomes. The relationships that Ribeirinhos form with middlemen are particularly telling in this respect.

In NTFPS, 'captivity' of the value chain, does not, on its own, explain the weight of middlemen in networks, as has been observed in the case study involving Natura and Brazil nut extracting communities (Le Tourneau 2010). Despite the negotiation of a contract paying higher prices for the oil that a new production facility, communities slowly abandoned the arrangement and went back to trading with their traditional intermediaries. Not only do middlemen provide essential services such as

credit and quality control, they ensure that relations run smoothly, both with communities and with urban buyers as brokers. They also organize the logistics and transport, develop marketing channels, and take significant risks. For example, if there is a loss, for example if a boat capsizes on the way to the market, the cost is borne solely by the intermediary. They also absorb price fluctuations, and can often trade at a loss when markets are fickle (Neumann and Hirsch, 2000). They negotiate the chain environment to make trade possible, in ways that narrowly focussed analyses have often failed to capture.

The focus on transaction costs and micro-relations within the GVC literature leaves many questions unanswered. Perhaps the most important, yet overlooked, factor is the underlying structural patterns that enable these key activities to remain in the hands of the very few, with the conclusion that power lies with the same set of actors time after time, but the underlying causes – the structures – remain outside the area of analysis, outside the ‘picture’. As we see so clearly in the NTFP literature, despite best efforts at reconfiguring the chain, poverty and exclusion persists. Ultimately, what remains unclear when we move from the structural, fixed approach of World System Theories into GVCs is how much space there actually exists for actors to reconfigure structure, under what conditions, and with what development outcomes (Bair 2005; Bolwig *et al.*, 2010). What is needed is a way to include context that contemplates fixed structures, while allowing space for individual agents to renegotiate their environment, and even affect structural relations.

Bolwig *et al.* (2008, 2010) seek to refocus the analysis in GVC studies, to include a more lateral dimension, that pays more attention to gender, poverty and environmental considerations about the chain, especially at the bottom (primary supply) end, where poverty is most often to be found (Bolwig *et al.*, 2008; Riisgaard *et al.*, 2010). Helmsing and Vellema (2011) investigated the relationship between value chains, social inclusion and economic development. The book reviews the concept of inclusion, often taken as a good thing *per se*, and discusses in more depth the terms of inclusion of specific groups into value chains. This approach seeks to build a more nuanced view, with various possible permutations for the way in which people participate in value chains (Helmsing and Vellema, 2011).

### The concept of embeddedness – bringing context into value chain research

The concept of ‘embeddedness’ returns context to the forefront of value-chain scholarship, allowing researchers to better discuss the ways inclusion into value chains, and combines with place-centric institutional contextual issues. It was developed by Granovetter (1973)<sup>7</sup>, in counterpoint to this transaction-cost,

<sup>7</sup> When economists broke the traditional barrier between the disciplines, set out by the Parsons Agreement, sociologists began themselves to venture into fields traditionally unexplored by sociologists, providing new, empirically rich studies in fields traditionally relegated to pure economic analysis (Velthuis 1999).

rationalistic economic-behaviour models; it provoked a rebirth of economic sociology, into what is now termed 'the new economic sociology' (Smelser and Swedberg, 2005). Granovetter's work on embeddedness has heavily influenced more recent work on value chains, such as the work of Hospes and Clancy (2011), Hess (2004), Coe (2012), and many others who seek a more-integrated, horizontal representation of value chains. His work came as a direct counterargument to Coase's (1937) transaction-cost based analysis of organizational patterns. Granovetter criticized the 'under-socialized' conception of human action promoted by neoliberal economics (Hess, 2004). He developed the ideas put forward by Polanyi, who first made use of the term 'embeddedness' in an article in 1944, in which he postulated that "instead of economy being embedded in social relations, social relations are embedded in the economic system". Though this dichotomy – between embedded non-market societies and dis-embedded market societies – is somewhat crude, the introduction of the concept of 'embeddedness' has been deeply influential. In latter texts, he acknowledges that market societies are embedded in social relations, to varying degrees, and that the economic and social realm mutually construct each other. He proposes a vision of the market as socially constructed, rather than natural and subject to universal laws like the physical world (Polanyi, 1944).

Granovetter takes the concept of embeddedness forward in his work, particularly in his 1985 article *Economic Action and Economic Structure: The Problem of Embeddedness*. For the author, the extent to which opportunism drives economic behaviour is variable and determined, at least in part, by the extent to which economic relations become 'overlaid with social content that carries strong expectations of trust and abstention from opportunism' (Granovetter, 1985, p. 490). He does not altogether discard a rational, rent-seeking, opportunistic aspect of human behaviour, but contends that social content also shapes and constrains behaviour.

The 'social content' here is made up of a network of personal relationships, rather than the rigid social structure depicted by World System Theorists, for example. Based on any 'cognitive marker around which actors may construct trust relations at higher intensity than with those outside the category' (Granovetter, 1985; Bair, 2008), actors tend to build lasting trading relationships with those with whom some sort of perceived kinship permits the formation of trust. Actors thus articulate links of existing social capital to build relations based on trust, and knowledge sharing, to form economic relationships. This implies a notion of power relations that is more diffuse and collaborative than the 'control' paradigm of GVC or the structural determinism of World Systems Theory. These findings have led to the development of a great deal of research, which seeks to trace economic activity in relation to networks of social ties. In his research in the New York garment trade, for example, Uzzi (1997) describes how bonds of trust substitute official monitoring protocols and contractual ties to produce a governance structure that is relational and heuristic. In



an ethnographic analysis of 23 firms, Uzzi found that existing social ties condition economic outcomes to a great extent. The build-up of trust between trading partners was fundamental to the functioning of the trade network, in the absence of monitoring mechanisms (Uzzi, 1997).

The work of Burt on social capital also builds on that of Granovetter (1973), and has also had great influence on value chain scholarship (Burt, 2001). He defines social capital as 'the contextual complement to human capital. The social capital metaphor is that the people who do better are somehow better connected' (Burt, 2001, p.201). He then extrapolates from this core concept a networked theory of social capital, to understand how certain individual actors can navigate the social structures in which they are embedded to seek advantages, based on brokerage opportunities (Harriss and De Renzio, 1997; Lin, 1999; Borgatti and Li, 2009; Burt, 2009).

To develop his theory, Burt expands on the on the work of Granovetter (1973) and Freeman (2000) on the strength of weak ties, and Cook and Emerson (1978) on the benefits of having exchange partners. He also relies on, and critiques, the work of Coleman (1988) on closed networks as indicative of social capital. He distinguishes between weak and strong ties, and plots them in diagrams to evaluate their ability to seek advantages in markets. Close ties are characterised by strong bonds of trust, and high levels of information exchange. Cohesive contacts (those with close ties) in closed networks are thus likely to share the same information, which stabilizes relations through bonds of trust and shared meanings (and friends and acquaintances). This underlying, shared social fabric serves as a monitoring mechanism that builds trust, as their wider social group is constantly watchful of their interactions. This is exemplified quite well by the work of Uzzi (1997). However, the closeness of the social group's ties also makes them redundant as sources of new knowledge. They all share the same world, and information travels quickly within the network itself, leading to homogeneity amongst actors. This is very much the case within forest communities, for example, which live in relative isolation, but who share close bonds, and often blood lines, and where these bonds condition behaviour within the community. These relations underpin very specific chain configurations, and their disruption can often have unexpected effects on the chain, and the underlying social fibre upon which they rest.

On the other hand, actors who can broker between closed networks, across 'structural holes' have near monopoly on access to relevant information, and therefore gain significant advantages in trade. When actors can operate across unconnected networks, they gain unique opportunity to innovate, to build new trade links, and thus increase their social standing (Borgatti and Li, 2009). This type of advantage can be empirically observed many times in the advantages gained by middlemen in trade relations. In a study in the Ethiopian grain market conducted by the International Food and Policy Research Institute (<http://www.ifpri.org/>), for example, brokers were observed to have similar endowments of 'in-born' social

capital (family and friends in the trade, the nepotistic 'closed network'), they had considerably more 'acquired' social capital, that is, they had five times as many long-distance trading partners (Gabre-Madhin, 2001). Here, the type of bond that best describes middlemen is well-displayed, where several communities and their local middlemen are bonded, while also being able to bridge across to urban centres and build lasting business relationships with buyers. The 'embeddedness' concept, as proposed by Granovetter (1973) and adopted by scholars such as Burt (2001), is nonetheless highly skewed towards individual actors, and ignores the ties between firms, for example. The ways in which scales intersect can be under-contextualised.

The new economic sociology approach has thus come under criticism for its overly localized and 'micro' understanding of trade, to the detriment of wider, international processes. Although, *a priori*, there is no specific scale at which these process can be observed, the focus on individual agency and social structure has led to what Hess has conceptualized as an 'overterritorialised' conception of embeddedness (Hess, 2004). This view also provides an overly smooth and cosy description of relations between actors, and of the market itself, devoid of any political contestation. While the social relations that underpin the market are examined, the market and its construction itself are mostly ignored. The narrow, 'micro', focus on the behaviour of individual agency disregards much of the discussion of the underlying structural issues as manifest in discursive constructs that condition specific social relations.

The concept of embeddedness has nonetheless had a tangible influence on new thinking on value chains. It enables us to see how existing structures constrict agency (for example social bonds or territorial issues such as the business environment), but also how actors can work to navigate, and often reconfigure certain, if not all structures. This concept has thus gained popularity with scholars who use the business-systems approach, and economic geography (Hess, 2004). Each genre of literature has sought to articulate how different typologies of actors (firms, individuals, networks, or 'the economy') interact with different contexts (social and cultural structures, networks of social relations, time, space, etc.). In an attempt to collate these valuable contributions, GPN scholars have adopted and developed the concept of embeddedness to help analyse the ways in which actors interact with and reconstruct social structures over time, adding a layer of social content to input-output representations of value chains. They seek to reinsert not only social relations, but also place-centric contextual factors into the analysis of value chains, to better explore development outcomes. They re-plot a horizontal axis that is deeply tied to local circumstances, against which the vertical 'pull' of value chains is analysed. In seeking to recapture clarity in the conceptualization of embeddedness, and to instrumentalise its application to empirical research, Hess (2004) has redefined the concept, particularly as regards its uses for economic geography, in his formulation of the bases of the Global production network school of thought (Coe *et al.*, 2004; Coe, 2012).

### The relational turn – networks

This notion is central to what has been dubbed the relational turn. In Hess' words: (2004, p.176)

*'Globalization, then, is obviously not a process of disembedding based on mere market transactions and impersonal trust, but rather a process of transnational (and thereby translocal) network building or embedding, creating and maintaining personal relationships of trust at various, interrelated geographical scales.'*

Rather than surrender to strict structuralist depictions of economic behaviour such as WST, or the highly actor-centred conception of the new economic sociology, relational-turn scholars seek to unravel the ways in which individual agency is constrained or enabled by local structures, and, most importantly, the way in which reiterated agency in chain relations reshapes those structures (Bathelt and Glückler, 2003). In this way, institutions mediate between the micro level of individual agency and the macro, structural, level. Notions of power based on control and opportunity costs have been challenged in favour of networked representations. This conceptualization as 'network' rather than chain provides a key ontological re-examination of the relation between agency and structure in trade relations (Dicken *et al.*, 2001, 2002; Boggs and Rantisi, 2003). This new approach references structure against agency debates, which predominate in the work of Giddens (1984), with structuration theory, and John Law, amongst others, with his actor-network proposition (Law 2008). The challenge, as with much of that literature, is to find a balance point, where the existence of social structures ('rules or resources') is recognized, if not entirely defined, while also recognizing a role for its reconfiguration by agents. It rests on a notion of dynamic interplay between these poles – the diachronic relationship, as Giddens postulates (Bailey, 1994).

The GPN line of research thus reimagines chain relations no longer as stiff, and control-based, but rather as flexible and networked. Production networks are no longer portrayed as hierarchical strands of trade, but rather 'economic processes conceptualized in terms of a complex circuitry with a multiplicity of linkages and feedback loops' (Giddens, 1984; Hudson, 2004; Coe *et al.*, 2008; Latour, 2005). Researchers do not seek to see how one actor controls another (binary – such as the governance theory of Gereffi, 1994), but how power is spread and articulated throughout the networks, in a more-diffuse and complex fashion. This includes non-chain actors, such as governments, local institutions and even underlying social ties. The term 'network', which is relational, substitutes 'chains', deemed overly linear, while 'production' substitutes 'commodities', to include a sense of the social processes involved in economic activity (Bair, 2005, 2009; Levy, 2008). From this perspective, GPNs are no longer simply arenas for market competition, but complex

political economic systems, which shape, and are shaped by, an institutional context (Helmsing *et. al.*, 2011). This has important ramifications for how power in the chain, and its relation to the distribution of value, is understood. By moving away from a realist, 'control-based' notion of power, it becomes possible to envisage economic outcomes that or not based on 'zero-sum' assumptions, but rather allow win-win situations and unexpected reconfigurations of trade links and resource use. This enables researchers to see how individual actors and specific networks reconfigure and navigate existing power structures, through the shaping/reshaping of trade relations and reorganizing local institutions in ways that may or may not capture value and engender positive development outcomes (Coe and Yeung, 2015; Dicken, 2015).

The GPN framework focuses on three forms of embeddedness: network, social and territorial. The concept of network embeddedness investigates the way in which the structure of relationships between agents along a network of trade shape production networks. The GPN approach includes, in this perspective, relations with non-firm actors, such as governments and NGOs, who can have a profound impact on the structure of a trade network. As stated by Hess: "network embeddedness is more aptly conceptualized as an outcome driven by the ability of individuals and firms to achieve the relational proximity necessary to facilitate interactions that can lead to thicker flows of knowledge and industrial upgrading". It is thus focused on the ways in which individual agency build the trust that enables different trade configurations across scales (Hess, 2004).

It is the capacity of certain intermediaries, at several levels in the chain, to build links across scales, often with international buyers, which makes trade possible in chains that extend beyond the local. Not only is network embeddedness key to local trade arrangements, since value chains stretch across wider geographical scales, the bonds that traders form become increasingly important to sustain trade. They require different scale-crossing specificities, depending on their position. A local trader must be able to hold close social ties with communities, and navigate their cultural universe, to ensure supply. He must also be able to forge bonds with city traders, and their already vastly different social realities, to market their product (te Velde *et al.*, 2006).

It is their unique ability to build bonds of trust across scales, and to ensure the flow of information and product that keeps the value chain rolling (Marshall *et al.*, 2006). The community may prefer the lower prices paid by the traditional network, rather than the hassle of dealing with a new trade arrangement. Clearly, price alone is not a good indicator of chain behaviour. Certainly, there are often abuses, but what previous attempts to eliminate them indicate is that these actors are often essential (Le Tourneau and Greissing, 2010; Le Tourneau and Kohler, 2011). It has been observed that relations along NTFPs chains are increasingly dynamic and polymorphous – much as the GPN theories used to characterise them. The

improvement of communications, both by water, but also telecommunications (the arrival of the mobile phone), and the increasingly monetised forms of trade have reshaped these power dynamics (Neumann and Hirsch, 2000). These relations have been re-embedded in a new context, and are being continually reshaped. The overlapping modes of trade and social relations that often characterize NTFP trade also paint a more nuanced picture of power dynamics along the chain, with communities having increasing freedom to trade along different pathways and capture value.

In this way, the role of network embeddedness shifts as value chains stretch. While at the local, community, level, and carrying on to the urban centres, it is the tight bonds between actors that are crucial to producing durable networks, the ability to bridge structural holes gains importance upstream. The agency of 'scale-crossing brokers' becomes increasingly important. In more spatially stretched value chains, scale-crossing brokers are fundamental (Bass and Mayers, 2012). In the NTFP literature, we see that it is the bonds forged, for example, by the Matsutaki mushroom entrepreneurs that connect them to Japanese distributors, which enable them to find markets and sustain working relations (te Velde *et al.*, 2006). It is their individual ability to negotiate varying cultural universes that make trade possible. They are able to negotiate the local vicissitudes of NTFP trade, but also to engage with Western buyers in international markets in accordance with their specific needs. In this way, we see elements of the network ties that bridge 'structural holes' that Burt (2009) alludes to in the work in the te Velde *et al.* analysis, where he highlights the role of 'entrepreneurs' (te Velde *et al.*, 2006).

Though often traders can reach near-monopolistic control over other actors in the chain, this governance pattern does not indicate abuse of power and unfair value capture (te Velde *et al.*, 2006). If we extend the analysis horizontally, and look at the wider context under which each actor 'pulls' the chain, what emerges is a much more-complex picture than the traditional 'oppressed community' compared to 'exploiting middleman' portrayal. It is perhaps the need to find a local culprit for poverty, rather than investigate the full dynamics of the chain, and the inability by Western actors to see in the often-uneducated middleman the qualities that are described here, which often portray middlemen as villains to be vanquished in development interventions. Here, the discursive biases exposed by the cultural turn in value-chain studies become particularly evident. These local network ties that superimpose traditional social bonds are reminiscent of the bonds described by Uzzi (1997) in his work on the garment trade. It is the shared ties that build trust, enabling trade to flow and production to organize itself.

The notion of societal embeddedness is perhaps that which most closely resembles that proposed initially by Granovetter (1973), as discussed above. In Hess' paper, these networks are analysed within the context of cultural formations and social norms, which condition behaviour of actors. It is concerned with how an actor's

background (political, cultural) influences and shapes his or her actions, the 'cultural imprint' (Hess, 2004). NTFP trade does not occur in a social vacuum. On the contrary, it is heavily embedded in long-standing social relations, and a cultural environment. The plight of forest communities, the fight against deforestation, and the involvement of NGOs and development organizations indicate these underlying social dynamics. Forest communities are often locally marginalized, and subject to a host of social prejudices that hinders their advancement. They have little access to basic public services such as healthcare, education and sanitation. They are perceived as ignorant and backward, and their labour is often undervalued. Their way of life is often perceived as antagonistic to development of regional economies, which often value industrial development, large-scale timber production, farming or mining rather than small-scale sustainable forestry. Forest community activity is typically perceived as marginal, and unimportant in their societies at large.

Locally, government corruption, or political co-optation by traditional elites of government institutions, hinders the advance of programmes that seek to redistribute wealth and assets. NTFP traders are often politically weak and marginalized, having little power to demand from their government the tutelage needed to develop their activities (Belcher *et al.*, 2005; Hall, 2006; Hajjar *et al.*, 2011). The solutions implemented by many development projects so far have consisted of 'building capacity' or developing 'social capital', by encouraging communities to organize politically, through associations, or economically, through cooperatives. Although this can be a useful strategy, and empowering communities is in itself a worthy goal, underestimating the weight of communities' predicament, the overall political/economical game in which they are steeped, can be often naïve. Power is not easily wrested from traditional elites, and traditional cultural patterns and institutional arrangements can be hard to overcome. It is important, when analysing or designing interventions, to take into consideration the particular history of NTFP trading communities, and the wider culture in which they are embedded. While many communities have organized themselves in cooperative ways in the NTFP trade for centuries, and are highly cohesive, many have a very different vision of their relation to the forest, and trade. In Bolivia (Anthias 2013), for example, communities strongly identify with collaborative modes of production, which they have employed for centuries and have a holistic vision of nature and their place in it. Meanwhile the Ribeirinhos, who arrived in the Amazon in the early twentieth century to tap rubber, are most often highly individualistic, and see the forest as a source of resources for exploitation (Hall, 2007).

The relationship with traders, as we have detailed above, is also highly contingent on cultural norms. Where often outsiders see mere exploitation, these relations are often charged with social meaning, and reflect an organization of society that is meaningful and useful to all actors involved. This societal berth is key to providing cohesion to trade links, forming the type of bond characteristic of network embeddedness. Though these bonds are often patronising, they are often easier to

negotiate for local communities than new arrangements that are artificially implemented (Le Tourneau and Kohler, 2011). They are often much preferred to foreign, and difficult to comprehend, relations imposed by third-parties.

In proposing the notion of territorial embeddedness, the GPN literature also aims to reterritorialize studies of global trade, and reconnect it with the literature on regional development (Hess, 2004). The existing territorial constraints and opportunities, such as the business environment (pre-existence of clusters, for example), condition a region's ability to capture value in its engagement with a trade network and contribute to shape outcomes along the chain. In addition, to enable a truly 'development-oriented' approach to GPN, it is important to consider local livelihoods, and the strategies of individuals and households. As Coe and Hess (2013, p.7) point out in a special issue of *Geoforum*:

*"The ways in which communities become enmeshed in GPNs and how territories strategically couple with global buyers and lead firms is a crucial determinant for the development paths and prospects in these places. Engaging in systems of global production is by no means a development panacea, whichever definition of development is used. As the literature on GPNs has shown, there is a 'dark side' to strategic coupling potentially leading to disarticulation, ruptures and frictions within and between regions and GPNs (Coe and Hess, 2011; MacKinnon, 2012). Regions are not homogenous entities but consist of multiple actors with divergent interests."*

The work of Saxenian (1996) remains amongst the most-referenced foundation for this line of scholarship. In her comparative study of the technological centres Silicon Valley (California, USA) and Route 128 (Boston, Massachusetts, USA) in the 1980s, she was able to evaluate many variables, such as political events, business-cycle position, production period and nation-state. This allowed her to focus on the cultural practices that determined the success of Silicon Valley in fostering innovation over Boston. Individuals and firms in Silicon Valley make part of a community of practice that is more prone to taking on risks, and collaborate across firms, leading to a level of dynamism that the more conservative environment of Boston could not achieve (Saxenian, 1996). Other studies have eschewed the 'place-specificity' of this type of analysis, which is open to the critique of 'over-territorialized embeddedness' that Coe and Hess make, above. Grabher (2002), in particular, worked to elucidate the ways in which organizational cultures across scales in the advertising industry enable the flow of creativity and knowledge across scales, in a form of network that he describes as 'heterarchy'. This wider definition of territorial embeddedness facilitates the discussion of inclusion, and the terms of inclusion, as called for by development scholars who have engaged with value-chain research (Helmsing *et. al*, 2011).

It is with the lens of territorial embeddedness that we can group together the most commonly occurring 'contextual' issues highlighted in the NTFP trade literature. Belcher (2004, p.7) posits that:

*“The most important ‘context variables’ concerned the nature of property rights, the size and accessibility of markets for the product, and the opportunity costs of labour and land. With sufficient control over the resource and a strong market, people are able to specialize in the production and marketing of forest products, provided of course that this is the most rewarding use of their time”.*

Geographical constraints, but also local cultures, productive arrangements, **regulatory** and business environments play a key role in shaping trade relations, and are deeply embedded in specific territories (Roth and Dressler, 2012). Some key issues seem to permeate almost all NTFP value chains, and are often replicated in the literature. Perhaps the most obviously territorial of these factors is the fact that NTFP value chains necessarily originate in a forest. The products are native to a certain territory, and can seldom be found elsewhere. Regardless of price fluctuations or market power, there is only one, or at best a few, possible territories for the chain to begin. This often creates a substantial advantage for communities, who, despite all their vulnerabilities, are secure in knowing that, as long as there is demand, they will be in a privileged position to guarantee supply, unless this security is taken away through a switch to monoculture production (such as has occurred with guaraná) or the development of synthetic alternatives (such as has occurred with rubber), which can entirely replace the chain and exclude communities (Homma, 2002).

Additionally, a marking aspect of territorial embeddedness of NTFP trade is the physical distance from trading centres and lack of transport infrastructure. Production occurs in small batches, and is often dispersed, hiking up transaction costs. In every review, this factor plays a deciding role in the formation of trade links for NTFPs. Many NTFPs are perishable, and require quick transport to the next rung on the chain to remain viable/usable. Many others, though not perishable, become prohibitively expensive to explore when transport costs are too high. Physical proximity to market, and transport infrastructure, are thus key factors in determining the viability of NTFP trade (Shanley *et al.*, 2002; Belcher *et al.*, 2005).

Rising urbanisation is a key trend that has reshaped many NTFP trading networks, which can be characterised as a shift in territorial embeddedness. As many forest people leave for urban centres and start earning higher incomes, they take with them their appetite for NTFPs, creating new local markets for products that were once mostly extracted and consumed directly by communities near source. The urban consumption of NTFPs also opens space for cross-cultural exchanges, bringing new potential consumers into contact with them for the first time, people would never have accessed these products before, thereby bringing these unfamiliar products along with them in their travels. The migration patterns characteristic of globalization can have a significant impact in building new demand and thus new trade pathways



for NTFPs (Shackleton *et al.*, 2011). The meaning attached to products change significantly across scales, as discussed below. The exodus to cities also depletes the labour pool for which agriculture or mining often competes in rural scenarios, while urban demand rises (Goodman, 2002). This new configuration points towards a higher specialization in NTFP production, with more high-value products concentrated in fewer, larger and more-efficient production facilities (Scherr *et al.*, 2004).

Poverty, lack of health care, education, banking services and government services also make for a challenging business environment. These are pervasive issues in tropical forest settings, which seriously constrict the ability of communities, as well as many traders, to upgrade. The physical isolation of these communities is often a key contributing factor to their poverty (Belcher, 2005; Belcher *et al.*, 2005.) More recently, many communities that previously remained relatively isolated from their local economies now have access to mobile phones, and use cash instead of a system of bartering. This new context has changed the governance of many value chains, as communities no longer rely on barter with intermediaries and are also able to check prices for their products independently through their mobile phones (Shackleton *et al.*, 2011). This new reality erodes or reshapes traditional trade relations, and has a direct impact on patterns of societal embeddedness.

#### Bringing these themes together

The research will seek to build a new layer of knowledge on the issues that condition the formation of chains and their development potential, by investigating in a more structured manner, using the three notions of embedded are described above, the ways in which the chain is connected with its context, and with what specific outcomes, across each geographical scale where it is located. In the NTFP literature, the narrow focus on communities, to the detriment of other, broader, scales, makes it very hard to access information on existing trade pathways and the distribution of value they engender, particularly beyond the local level. Some empirical evidence is presented for example by te Velde, when he highlights the role of intermediaries in articulating production, but very little is heard about how, for example, the existence of infrastructure for international trade, such as shipping, or the existence of easily accessible international banking services, facilitates the expansion of NTFP trade (te Velde *et al.* 2006). There is also little information about how the presence of a local industrial park, or ancillary industries affect the chain. Belcher and Schreckenberg provide some important evidence on the role of the 'business environment' in developing NTFP trade when describing the often-difficult marriage of NTFP extraction and product-development cycles (Belcher and Schreckenberg, 2007). Yet it is not known how or why this happens or where it happens. In this way, we are unable to establish how value is distributed beyond the local scale, and how that distribution is tied to aspects of chain configuration.

How does the business environment in a juice factory in Germany, for example, allow it to cope with new NTFFPs? How do industrial groups across the World articulate network embeddedness to find distributors for their goods once they are processed? The Body Shop may source ingredients for products in the Amazon, but it later distributes its wares across the World. The literature therefore provides a somewhat warped vision of value distribution in chains, very much restricted to local realities, when we know that international parts of the chain often capture most of the revenue, rather than the original source providers. We can infer from the literature that the low educational levels and poor business environments of community settings hamper their ability to capture value by engaging in more-sophisticated activities, but we seldom confront what this actually means for communities and regional development, or the cultural biases that underlie this view (as World Systems Theory so clearly exposes). This research will thus clearly seek to extract, across each research site, key insight from local actors on how the chain enables or hampers value capture, and what were the fundamental contextual factors that have enabled it to take shape in its current configuration.

## **2.4 Upgrading – strategies for capturing value and fostering local development**

The goal of most value-chain research is to enable firms and policy makers to analyse the existing scenarios and then seek to obtain the right mix of resources and skills to upgrade into more profitable positions in commodity chains (Kaplinsky, 2004, Altenburg, 2007, Humphrey and Navas-Alemán, 2010). This has generated a range of programmes aiming to harness this knowledge to improve the development prospects of specific regions or populations, as a report highlighting the many uses of the approach across seven UN platforms shows (Stamm and von Drachenfels, 2011, Taglioni and Winkler, 2014)

The idea of upgrading, that is, climbing up the chain to capture a greater amount of value, as defined by Gereffi (1994), is also often considered in the GPN literature. The terms of that upgrading, and its societal impacts are nonetheless much more detailed. While previous value-chain analysis (VCA) work tends to portray inclusion in itself as a bounty, a deeper horizontal perspective at the local level allows for better understanding of the impact of that inclusion on communities, particularly its interaction with local class and gender dynamics. A more-holistic approach enables the incorporation of the lessons learned about local livelihoods and local development to be incorporated into the analysis. Ultimately, more-careful examination of the embeddedness of trade in the local context can facilitate better understanding of successful practices that benefit people at a community scale.

In Coe and Yeung's (2015) thinking on Global Production Networks, in what the authors term 'GPN 2.0', they eschew the notion of upgrading in favour of a more-

nanced and complex analysis of the strategies that can result in the type of value capture that generates positive development outcomes – their ‘value capture trajectories’. They recognize that upgrading is not necessarily a desirable solution, and that it does not necessarily generate positive development outcomes for a specific region. Rather, when contemplating these value capture trajectories, they seek to examine how actors and groups of actors are able to harness the potential benefits of inclusion into GPNs production networks over time to retain and capture value within the region. This does not necessarily have to be done through upgrading. This new approach looks more closely at that intersection, between local contextual issues inherent in embeddedness analysis and chain conditions, to create an economic climate where individual firms can best harness and retain value over time.

Overall, the NTFP literature highlights a set of repeated strategies for upgrading: improving quality, moving up the chain by cutting out middlemen, increasing the amount of processing undertaken by communities locally or moving into new value chains (Macqueen, 2008). Although much of the literature does not directly employ ‘upgrading’ or specific value-chain jargon, it is still possible to classify existing analyses of interventions according to these categories. The only information available on NTFP value-chain upgrading relates to communities, and what the impacts of the activities of NGOs and development agencies have on them. There is no obvious data available on what strategies private traders follow outside of communities, and what impacts this could have along the chain.

Certification of the product is constantly touted as the key form of upgrading for NTFP extracting communities. It should allow producers to charge higher prices, and ensure more-equal power relations in the chain. Because it entails a change to the actual product’s perceived quality, it can be classified as product upgrading. Certifications include such accolades as ‘organic’, ‘rainforest alliance’, ‘GMO-free’ and ‘Fairtrade’ for example. Because the primary material is seldom transformed locally into secondary/manufactured products, certification is perceived to be the key form of product upgrading available to producers. Through these certifications, it is hoped that higher prices can be achieved, and that more-stable relations will be established with buyers, guaranteeing a regular source of income, less subject to market fluctuations. Often, when the literature discusses marketing, or branding, the solution is cited automatically as certification.

Yet certified producers at the very base of the chain seldom effectively benefit substantially from this strategy. The demand for certified products is small, and has failed to grow beyond a niche. In addition, the price premiums, even in Fairtrade chains, sometimes fail to materialize, and other actors still capture the greatest proportion of the value. This phenomenon has been recognized in many chains, particularly coffee and cocoa. Often, certification itself can also be an exclusionary practice, with many producers unable to afford the bureaucratic process to become

certified, unless technical and financial assistance is available (Belcher and Schreckenberg, 2007; Pierce *et al.*, 2008; Marston, 2013). Unfortunately, we have little information on how power relations amongst local actors interrelate with this upgrading strategy.

Another form of upgrading that is often proposed for NTFP extracting communities is the reconfiguration of the chain (Neumann and Hirsch, 2000; Choudhary *et al.*, 2014). The aim is often to 'cut out the middleman'. The creation of cooperatives to increase bargaining power is perhaps the most valued type of intervention in community forestry, and perhaps the most ideologically charged. As this strategy is imagined to move communities up the chain, it can be described as a form of functional upgrading. To increase their bargaining power and maximise the utilization of collective assets, NGOs have been encouraging the creation of cooperatives for decades. Often this is also a requirement for certification. The ideology behind these initiatives is that of collectivist, totally inclusive development, although this model has eluded most of the developed world. Interventions are often viewed as a form of rebalancing power relations locally, probably breaking communities out of a captive governance model (which, in itself, is not a problem). A fraction of current productive forces worldwide is organized in cooperatives, yet this has become the standard for community forestry. Primitive forest peoples represent an antithesis to capitalist greed in Western eyes.

Unsurprisingly, these forms of cooperative have seldom been successful once external support is withdrawn. These new, externally imposed forms of organising seldom take into consideration local social relations. Participating requires a shift in existing social norms, in addition to an investment in time (to participate in meetings and engage in management) that people do not necessarily want to comply with (Herrero-Jáuregui *et al.*, 2011). It is also common for existing power relations within the community to simply adapt to the cooperative format, with the elite taking over the management of the cooperative and using its instruments to reinforce existing power relations.

Communities also often resent being bundled together, with more entrepreneurial individuals feeling disadvantaged by being viewed as level with others that they perceive to be less engaged in their work, for example. Though resource use can, although not necessarily, be collective, the exploitation thereof is often considered highly individual, according to local social norms. Initiatives that attempt to remove these existing divisions are often very poorly received. Commonly, trading with middlemen in a captive chain is still a way to escape other, more-oppressive, local bonds of patronage, within and outside the local community. Where cooperative ways of producing are traditional (Brazil nut collection in Bolivia for example), supporting cooperatives can be a successful intervention. Artificial implementation seldom is. 'Cutting out the middleman' can also have several, unwanted consequences. As we have seen, the middleman often plays a multitude of important

roles in the chain. Communities can simply lack the contacts, or market information, or managerial capacity, to take over the job of intermediaries (Brown and Rosendo, 2000; Burke, 2010; Hajjar *et al.*, 2011; Herrero-Jáuregui *et al.*, 2011; Pokorny *et al.*, 2012). These strategies are unlikely to succeed when they fail to consider the webs of social relations and multitude of exchanges that configure relations with middlemen in many of these settings.

Many interventions also work to install processing equipment at the community level, to allow communities to climb the value chain, also cutting out the local middleman and, often, a local processing facility. Although some success has been verified, such as the OELA musical instrument factory (Oficina Escola de Lutheria da Amazônia<sup>8</sup>), operating at the heart of the Amazon, these initiatives tend to falter once external funding is withdrawn. Communities often lack the capacity to manage these processing facilities, and have a hard time marketing goods without external assistance. Also, the additional costs incurred in functional upgrading often make the endeavour financially unattractive, and levels of productivity continue to be sufficiently lower than larger-scale commercial endeavours (Pokorny *et al.*, 2012). Without an understanding of the local capacities and vocations, defining an intervention such as this can be more problematic than helpful.

A common strategy at community level involves the move to cultivation, or crop management, and the improvement of quality control. NTFPs are harvested in small quantities, from large geographical areas. Achieving quality control and regular quantities to supply markets is a constant challenge (Cunningham, 2011). Ruis Perez has found that the transition towards domestication of species is perhaps the surest way to ensure regular, high-quality supply to build reliable streams of product in stable, to supply developed markets with good infrastructure links (Belcher, 2005). Because it entails a change in the mode of production to increase efficiency, it can be categorised as a form of process upgrading. NTFPs can either be wild-harvested, with little transformation of the natural environment. They can be managed, through weeding or crown opening, to encourage NTFP species to thrive. They can also be deliberately cultivated, becoming regular crops, rather than pure NTFPs, but there is little information in the research on how governance can affect, or be affected by, this strategy.

Moving along this gradient improves yields and incomes for communities (Ruiz-Pérez *et al.*, 2004; Belcher *et al.*, 2005). However, cultivation becomes a strategy only when there is sufficient infrastructure to reach markets, and when these are sufficiently stable. It can also become an exclusionary strategy, as capital, technical knowledge, and tenure security are often required to manage or cultivate NTFPs (i.e. territorial embeddedness), which the poorest and most vulnerable members of communities often lack (Belcher *et al.*, 2005). **The implementation by outside**

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<sup>8</sup> <http://www.ipsnews.net/2008/08/brazil-producing-guitars-and-luthiers-in-the-rainforest/>

organizations of overly complex management techniques, which do not take into consideration customary local knowledge can also often lead to discouraging results (Herrero-Jáuregui *et al.*, 2011).

Many researchers have been wary of the move towards cultivation or management, because of its potential impact to the local environment (Homma, 2002). Although there can be significant changes in the natural make-up of forests, these strategies are often much less detrimental than the monocultures that often threaten natural forests. Additionally, wild harvesting can bring desirable NTFPs to the brink of extinction, something that can be prevented through management and cultivation (Arnold and Pérez, 2001; Ruiz-Pérez *et al.* 2004; Sills *et al.*, 2011). Studies also record that forests have been managed and manipulated by local populations for centuries, which brings into question the existence of 'wild, undisturbed forests' that fear 'de- characterisation' of the 'natural' environment. More importantly, this is a strategy that does not require community actors to change roles, or build entirely new capacities, and is therefore more-easily assimilated.

The management of NTFP resources, with intensified production, is therefore often a desirable upgrading strategy, although care must be taken to avoid substantial biodiversity loss, as well as exclusion of more vulnerable members of communities as resources are 'privatized'. The move towards a monoculture system, which takes away production from its original location in favour of large, privately held, capital-intensive modes can also pose a threat to communities and the regions in which they live, which are typically excluded from this new chain configuration in the name of market efficiency (Kusters *et al.*, 2006; Belcher and Schreckenberg, 2007).

Because the livelihood strategies of forest communities are themselves diversified, the development of several concomitant value chains, for different local products, can be an important means of improving incomes, and securing stability across different harvest seasons. This type of diversification strategy is preferred by NTFP communities, allowing them to widen incomes sources, balance labour requirements and manage labour needs across the seasons (Coomes *et al.*, 2004; Belcher *et al.*, 2005; Belcher and Schreckenberg, 2007; Shackleton *et al.*, 2008, 2011; Stoian, 2012). This type of strategy represents product upgrading, as it entails moving into different product chains. NTFP-extracting communities often subsist on a collection of activities, including fish farming, crop farming and timber extraction. Most of these activities are seasonal, resulting in large fluctuations of income throughout the year, bringing a heightened sense of insecurity. Without stable income, it is difficult to plan, save and organize activities (Ros-Tonen and Wiersum, 2003, Scherr *et al.*, 2004). Yet the vast majority of projects tend to look specifically at one product, rather than attempt to integrate the range of products that constitute the livelihoods of forest communities (Neumann, 2000; Pokorny, 2012; Le Tourneau and Kohler 2011).

From a territorial embeddedness perspective (for example, proximity to markets and business environment), to the ability to articulate the right types of brokerage, the success of value chains is contingent on the ability of actors to articulate their surroundings to produce certain outcomes. **Cooperative marketing structures**, for example, must be socially embedded, that is, hold cultural meaning for local actors. **This cannot be achieved forcefully.** Furthermore, the disruption of existing network embeddedness is not a desirable strategy to 'cut out the middleman' on its own. Those pre-existing bonds with middlemen are usually tried and tested, and allow actors to negotiate a series of important contextual issues, of a territorial nature, such as physical isolation and lack of government services, but other societal, such as the preservation of a meaningful local social order. Furthermore, the territorial constraints, the poor business environment and lack of local managerial capacity are not easily overcome. Despite what it might seem from a purely intra-chain perspective, these interventions are often doomed to fail. Meanwhile, diversification of income is a strategy that is particularly meaningful to forest-dwelling communities. It recognizes the nature of local productive arrangements ('territorial embeddedness'), and the social organization of communities' livelihoods.

Upgrading is indeed an often difficult, if not impossible task for producers (Coe 2015). In fact, lead firms in the developed world fiercely guard the intangible aspects of production (marketing, brand development, packaging) where most value is added (much as World Systems Theorists defend). The globalization project as proposed by the Washington Consensus<sup>9</sup> pulverizes production to maximize the potential 'efficiency gains' that can be wielded from exploiting the low-paid labour force in the developing world, but the immaterial activities that add the bulk of value remain firmly in the hands of developed-world workers (Gibbon, 2000, 2001, Fernandez-Stark *et al.*, 2012). **Fundamentally, although insertion of a product into global value chains generates income, and facilitates the development of production capacity, innovation remains firmly in the developed world, and with it, most of the value created (Humphrey and Schmitz, 2004, Schmitz, 2004, Coe and Yeung, 2015). This is the type of structural obstacle that is so clear within World Systems Theory, which is lost when we chose to remove context in favour of intra-chain dynamics only.**

Scholars have recognized that acting strategically across a sector can be more beneficial than small, highly localized, interventions at community level. Scholars have thus increasingly called attention to the need to truly engage in a holistic analysis of value chains, from start to finish, to truly understand their functioning and

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<sup>9</sup> According to Gore: " *this approach recommends that governments should reform their policies and, in particular: (a) pursue macroeconomic stability by controlling inflation and reducing fiscal deficits; (b) open their economies to the rest of the world through trade and capital account liberalization; and (c) liberalize domestic product and factor markets through privatization and deregulation*". It was propagated by the IMF and World Bank in the late 80s and 90s as a pathway for development. (Gore 2000, p.789)

decide how to improve them (a circumstance labelled as ‘leverage’). As a review by Belcher and Schreckenberg (2007, p.369) state:

*“Whether the market is newly established, like that for Namibian exports of marula oil to the Body Shop (Schreckenberg, 2003), or hundreds of years old, as with the birds’ nest trade or gaharu trade from Indonesia, efforts to support the trade need to understand the structure and function of the entire production-to-consumption system (Belcher, 1998). The most effective interventions are those that have a simultaneous impact on many similar firms, what Haggblade and Gamser (1991) term ‘leverage’. Thus, policy-level interventions that encourage investment in processing and trade may be the most effective way to support raw material producers, as seen very clearly in the case of the China bamboo sector (Ruiz-Pérez et al., 2004b). In other cases, the most helpful intervention may be improvements to transport infrastructure.” (Belcher and Schreckenberg 2007)*

An adequate regulatory framework, which benefits small-scale enterprises and provides land tenure security to communities, has been recognized as playing a key role in facilitating the development of NTFP value chains (Hajjar *et al.*, 2011). Political will is key to promote the exploitation of NTFPs and sustainable forestry initiatives as a development priority. Insecure land tenure represents a major hurdle to NTFP development (Belcher *et al.*, 2005). Communities require integrated programmes, which provide technical assistance for extraction and handling of products, as well as tailored financial services (Stoian *et al.*, 2012). When the regulatory and political environment is geared towards large-scale exploitation and deforestation, it is very difficult for these initiatives to thrive. For example, sanitary legislation and agricultural policy is often ill equipped to manage the specificities of NTFP extraction and trade (Bass and Mayers, 2012).

The trade in NTFPs, beyond local scales, also requires an enabling business environment outside the community itself. This can include anything from facilities for communities to process the product, storage along trade routes, financial instruments to foster increases in local processing capacity, amongst other vital conditions for trade development (Scherr *et al.*, 2002). There must also be capacity upstream to absorb market information and adapt production patterns, and ability to trade and reach markets, manage client demand, and so on. In this way, **the articulation of forces beyond the local scale can have meaningful impact on communities.** We cannot, in the existing NTFP literature, proceed to any analysis of these factors, since the vast majority of the literature is community-centric. The empirical research proposed in this thesis therefore provides important clues as to how these forces operate and impact NTFP trade at the community level.

## **2.5 Unravelling discourses about value creation and distribution in value chains, and in NTFP chains in particular**



Value chains are the object of several lines of inquiry, including World Systems Theory (WST), the Global Value Chains (GVC) literature of Gereffi (e.g. 1994) and peers, as well as the Global Production Networks (GPNs) of Coe (2012). Each of these strands of literature has its own perspective of analysis and 'toolkit', which provide valuable insight into how chains are sustained and value is distributed. However, in many cases, subjective discourses about the merits or 'development' of particular livelihood models are used to explain differences in value formation and distribution using purportedly objective language to disguise cultural prejudices and justify structural inequalities inherited from colonial trading economic patterns. This is particularly true in NTFP research, where a marked bias towards certain types of research and development interventions can be detected.

Value-chain scholars have begun to incorporate notions of cultural studies, as part of a wider trend in economic geography towards cultural political economy and cultural economic geography: the hotly debated, yet somewhat established, cultural turn which has taken hold in the study of economics in general. The cultural perspective aims to break with the opacity of depoliticized, universal metanarratives, to allow for plural, even if contradictory accounts of economic relations – and frictional, conflicting relations resulting from globalized economic processes (Tsing, 2005). This new point of view is spurred by a general mistrust of 'one way forward' development narratives, in a world of constant instabilities and rising inequality. It also aims to recognize the variety of organizational forms that make up economic relations, the richness of interdisciplinary work that currently intersects with economics, and the narrowness of the latter's investigative and explanatory toolkit (Amin and Thrift, 2008).

Though GPN provides an elegant description of trade and its wider context, existing studies commonly resemble GVC studies in their overemphasis on coordination between market actors, upgrading and development, over political contestation and subjective meanings. As Hess and Yeung (2006, p.7) point out:

*"The ontological challenge that GPN research is facing lies in integrating both the material and the socio-cultural dimensions of GPN development. In other words, how do we conceptualize a relational network that is neither under- socializing nor over-socializing in its explanatory capacity?"*

In *Political Contestation in Global Production Networks*, David Levy (2008) provides a basis for reflecting on how the dispersion of trade across scales produces and challenges established gender, class and ethnic inequalities. The author reflects on the underlying dynamics that make up the 'transnational space' constituted by international elites, their institutions (such as the World Trade Organisation, WTO), and their ideologies (free-trade neoliberalism). A great amount of cultural production goes into reinforcing this space, through business publications, international summits

and business schools that propose legitimizing ideological discourses packaged as 'objective business knowledge'. In contesting the objectivity of this knowledge, it is possible to find a new dimension to the way in which trade relations manifest discursively underlying power relations (Levy, 2008).

This perception is taken forward in *Global Value Chains: From Governance to Governmentality?* by Peter Gibbon and Stefano Ponte (2008), in which they juxtapose the GVC notion of governance with the literature on governmentality. They describe the ways in which the 'supply management institutional context' is formed around certain norms that are enforced and performed by actors in firms, to create certain outcomes. These 'performances of power' are engendered by trade certifications that guarantees a level of homogeneity in business practice, further reinforced by the discourse set out by business schools and the consulting industry. These institutions propose a set of tools for practitioners to adopt, from evaluation of suppliers to metrics for cost calculation, as well as series of tactics to enable the building of supply relationships (Gibbon and Ponte, 2008).

Thus, many NGOs and academics contest these discourses and the related trade configurations they sustain. Organizations such as Christian Romero and Human Rights Watch adopt an opposing discourse of oppression and submission of powerless actors in the developing world, while others such as Solidaridad, The Nature Conservancy work to promote alternative modes of trade in niche markets. This has been the case in particular for NTFP interventions, which aim to reform local relationships and production patterns at the base of the chain, without making any real challenges to the overarching, globally entrenched inequalities in which trade relations occur. These attempts have been problematic in their own light, as will be widely debated in the following chapters. For example, the relationship between communities and markets is more complex than dominant discourses, or the new development agenda, allow (Peluso and Alexiades, 2005; Charnley and Poe, 2007; Vaccaro *et al.*, 2009). While the majority of case studies usually focusses on 'exotic' isolated communities, the reality is that forest peoples are increasingly integrated into mainstream cultural and social lifestyles and ideologies (Peluso and Alexiades, 2005; Hall, 2007; Barretto Filho, 2009; Cocks *et al.*, 2011). The tinkering with local trade dynamics, cutting out traditional trade ties, and changing the organization of local livelihoods, is not necessarily beneficial to communities.

This type of distorted intervention model is the outcome of discourses and policy paradigms that have been sedimented through many decades of unreflexive praxis in both development and conservation, within a context of hegemonic domination by Western actors (Asher and Ojeda, 2009). It is thus not surprising that the track record of these NTFP projects is very poor: few have survived; fewer still have provenly improved livelihoods in the long term (Herrero-Jáuregui *et al.*, 2011; Belcher, 2012). A host of studies have emerged to analyse successes and failures, and to propose solutions to reshape them. Yet because of existing biases in

development and forestry (development is something that happens elsewhere), they do not look at consumer markets for answers, or consider overall embeddedness of these trade relations in a wider societal context.

In many ways, value formation and capture is indeed a great means of unpacking the tensions between the material and discursive, as it provides a clear and quantifiable locus to measure these dimensions. If chain scholars use value as a means to investigate power relations, and if value is set subjectively, then it is imperative to understand the subjective dimensions of value to ever truly understand power. To expose the underlying power dynamics, it is fundamental to rethink the notion of 'value-added', which has remained uncontested in GPN studies. Furthermore, value capture is the key connector between value chains and development outcomes.

Many commodity studies have similar findings: value capture happens predominantly at the end of the chain, where products are packaged and sold to the ultimate consumer. The creation of exchange value greatly supersedes the use value that dominates the chain until it leaves the local scale. In the case of timber, retail has also proven to be the most value-producing step, and the greatest influencing power source for the whole chain (Jensen, 2009). This unequal distribution of value is often noted and decried; yet seldom explored in detail, as international dimensions of trade are not contemplated in the NTFP literature. Instead, there is a repetition of similar strategies, narrowly geared towards communities, without much depth of exploration of their context, or their position in relation to other scales. In this way, how value forms and is shared is seldom questioned, rather, efforts are made to pull them towards communities almost by force, without consideration of the structures and webs of relations and that support the chain.

According to Levy (2008), it is important to break down the economist's notion of value, which have remained central to both the GVC and GPN approach, which focus on the ability of multinational corporations to distribute production in ways that promote efficiency and value creation, to better examine underlying social dynamics of power and equity. Levy posits that the strategic advantages, described from a transaction-cost focus by these scholars who describe the distribution of value along scales "are not static endowments, but rather dynamic capacities that accumulate at the firm and regional cluster level" (Levy, 2008). We must then seek to examine why certain forms of labour are more valued than others. In this instance, why must extractors become traders or processors to be entitled to more value?

Along the chain, researchers seek to question the notion of 'price' as an objective representation of labour plus resource costs, somehow measurable in input-output terms. Hudson explores this theme further in *Cultural Political Economy meets Global Production Networks* (Hudson, 2008). While he recognizes the material limits of resource use and transformation of goods, he discusses the ways in which value

is subjectively formed in contemporary society. For the goods that are produced in GPNs to fulfil their life-cycle, they must be sold to consumers, and as such must be seen as useful to them. They must thus have meaning in their 'life-world'.

Increasingly, particularly at the consumer level, these meanings are more affective and culturally coded, rather than merely utilitarian. One does not estimate the value of a consumer good as its 'use value' any longer. This subjective value formation at the consumer level can have meaningful impact across the chain, all the way back to its base in local communities. Yet consumers, the final arbiters of value, and thus consumer power, are conspicuously absent from all value-chain literature. Most studies stop arbitrarily at the last corporate link the value-chain. The final transaction, whereby the commodity reaches its 'realization' through consumption, is somehow omitted. Coe and Hess (2013) acknowledged this shortcoming. Studies that seem to redress this omission unfortunately focus mostly on the material process of consumption and its impact on waste, rather than positioning consumers as actors in production networks, and rethinking the concept of value (Coe and Hess, 2013).

Within NTFP scholarship itself, researchers have also concluded that 'markets drive the specialization of NTFPs' (Ruiz-Pérez *et al.*, 2004), and many articles indeed mention the importance of markets – and consumers – in determining the success of NTFP commercialization (Scherr *et al.*, 2002, 2004; Marshall *et al.*, 2006; Belcher and Schreckenberg, 2007; Roth and Dressler, 2012). Yet issues that concern value formation beyond extraction and primary processing, and how these relate to extraction patterns, are seldom addressed in detail. This bias is common in the overall value-chain literature, particularly in NTFP research. One can only speculate that the specific 'community-based' trend in development and conservation praxis and research creates such a case of analytical tunnel vision that precludes cross-scalar research. This is the type of positional bias that the cultural turn seeks to expose, and which must be considered in order to bring new insight into the study of NTFP commercialization.

## 2.6 Conclusion

The adoption of value-chain lens provides important initial insights into the existing corpus of NTFP literature. It builds on the original efforts made by te Velde and others (e.g. te Velde *et al.*, 2006), which applied GVC tools to NTFP cases, to move into a more complex representation of chains, through the introduction of the GPN literature, and particularly the concept of embeddedness. To form and sustain chains, a minimally functioning business environment is necessary, and the brokerage of local actors with particular kinds of social capital can greatly offset the difficult logistics and lack of infrastructure that hamper the formation of trade links ('network thickness'). In this way, although much of the literature can be critical of the 'captive' governance that characterizes many value chains at the local level, these

tight bonds can in fact be crucial to making trade possible in a minimally efficient manner. This has been the finding of in depth study of te Velde *et al.* (2006), amongst others.

Regarding the possibilities for improving value capture at the base of chains, the success of these strategies is dependent on the peculiarities of local communities, but also on the inter-scalar arrangements that sustain trade. There is no universal 'one-size fits all' solution. Nonetheless, we can generalize that while acquiring recognised certification can often be a prerequisite for entering markets, it seldom brings tangible benefits to NTFP communities. Projects that aim to 'cut the middleman' also have met with various levels of success, for failing to take into consideration the importance of local social capital to regulate trading relationships, and the ability of local brokers to bridge different cultural realities, and provide a variety of key services (sales, credit, insurance, logistics).

Meanwhile, strategies that aim to strengthen existing activities in the community, such as intensification, are often more easy to adopt, although their impact on local ecosystems can be damaging. The diversification into other locally familiar activities can also be a welcome strategy, as it not only enables for the increase of income, but plays an important role in the reduction of risks for producers. However, the formation of new market links to market these new products is often beyond the reach of local producers, which rely on a web of actors and capacities to form and sustain new demand in markets.

Unfortunately, there is no relevant information regarding the formation and shape of trades beyond the local community level in the existing NTFP literature. The positional biases that have engendered this strand of research and the accompanying development interventions are indubitably at work here, narrowing the focus on community-level interventions and building an image of forest communities that is very tied to the positionality of the research and development fiefs that engender them. What the research does make clear is that there is a need to better connect existing knowledge to an understanding of how markets work, and the nodes that form these connections along the chain. In particular, we have little understanding of how new chains form and how value is created in consumer markets, and what this means for communities.

As an initial attempt to deconstruct the notion of 'value', the next chapter attempts to open a new connection within value-chain scholarship, by weaving in existing knowledge on marketing, 'commodity fetishism', ethical consumption and alternative foods. It looks at the same phenomena, trade and value formation, but from a different viewpoint – starting from consumption. This is an attempt to address the positional limitations of value- chain studies presented here, in its productionist, materialist bias, as critiqued by cultural geographers. Value chains flow, and value-chain analyses look at trade, in one direction, from extraction to consumption. They

are unable to contemplate the formation of value and demand that is key to the formation of chains, and occur in consumer markets, a locus of value, and power, not contemplated by extant literature. This is not to exclude the subjectivities about the value of labour throughout the chain, which will also be considered whenever sufficient material for discussion is available.

## Chapter 3. THE CONTRIBUTION OF CULTURAL STUDIES TO VALUE CHAIN RESEARCH

### 3.1 Introduction

The present chapter aims to explore existing knowledge about how concepts of value and demand are formed, to shed light on how the açai chain took shape and has assumed its current configuration. The case of NTFPs more widely is used to illustrate how ‘consumer myths’ are formed (see Section 3.3), and how this knowledge relates to the value-chain literature (Goodman, 2002, Mceachern and Schroeder, 2004). Existing analytical models for commodity-chain analysis tend to focus on objective ‘use value’, and input-output calculations, taking ‘value’ as an objective formulation, placing all control over outcomes in production, and leaving consumers as passive. Goodman and Dupuis (2002, p. 10) state:

*“Consumption has been neglected, under-theorized, treated as an exogenous structural category, and granted ‘agency’ or transformative power only in the economic, abstract terms of demand.”*

To address our research questions, particularly around how chains are formed and value is created and distributed, we draw upon existing knowledge on commodity fetishes and circuits, cultural studies and branding to unpack and analyze messages in a fashion coherent with the findings of the previous chapter. The literature on commodity fetishism and cultural geography seeks to resituate the social meaning of products, revealing the means by which use-value is obscured in favor of symbolic value in trade relations. The literature produced in cultural studies provides further insight into how brands have emerged as a cultural phenomenon, what they reveal about underlying social relations and power dynamics contemporary society, and how this process has reshaped economic models. The approach is mainly semiotic, and scholars seek to interpret the meaning of advertising and cultural products by unpacking their symbolic meaning. Through Consumer Culture Theory and notions of ‘cultural branding’, it is possible to envisage how specific actors negotiate their cultural surroundings to form ‘value’, how successful brands can captivate consumers and become loci of value across scales in the global marketplace. These strands of research have, to varying degrees, helped to reshape our view of economic activity as productionist, extraction-to-consumption conduits, towards a more-complex vision of a cultural economy, highly aestheticized, where consumers are heterogeneous, culturally situated and active players, constructing meaning and value and driving chain behavior. This knowledge is particularly relevant for the açai berry, a specialty product whose spread across the globe is intimately tied with the encoding and recoding of highly subjective meanings constructed through chance, but also targeted niche marketing, at each geographical scale.

Knowledge about NTFP branding strategies, how they are formulated, by whom and on what grounds, is sparse in the existing literature. In the absence of actual data on the marketing and valuation strategies of NTFPs specifically, the general strategies that are often associated or mentioned in the literature for forest products and, more widely, the products that are the object of development and conservation interventions will be used to form the basis for analysis of this chapter. The symbolic dimensions of natural resource branding also lack thorough evaluation (Scherr et al., 2004; Cunningham, 2011; Bryant, 2013; Marshall et al., 2006). In addition to the scalar biases and ideological barriers that impede this type of reflection within the NTFP literature, one can also add the traditional 'productionist' bias of value-chain literature, which has a propensity to stop at the last corporate level, ignoring the power of consumers. Yet exchange value is constructed within the complexities of the cultural backdrop, with the participation of consumers, cultural brokers and companies, shaping value collectively. Understanding this process is key to understanding how products find demand, and how the shape of that demand trickles all the way back up the chain.

The marketer's intention is to create a sense of 'belonging', and encouraging the consumer to compare themselves to others – and 'outdo' them – to appeal to their lifestyle aspirations. The product itself can even be absent from the campaign so long as the brand is reinforced. What is being advertised is an attitude, a lifestyle (Klein, 2000). The product will be designed, packaged and marketed in a way to tie it to a certain cultural identity, its actual material function as a garment is entirely secondary. The value comes essentially from its cultural significance to a certain group of consumers, who themselves hold tremendous power to 'make or break' companies. Companies select images for promotional purposes that reinforce their brand, to market a concept with which the consumers engage from their own cultural situation (Moor, 2007).

Branding often constitutes the most stable, if intangible, asset of a company, surviving changes in commercial strategy, and spreading globally. It has become the core of advertising practice, and a key component of management activity. Forbes estimates that up to 70% of top companies' market capitalization is related to the brand identity, the most valuable, yet intangible, asset a company can possess (Clifton, 2009). Brands are the epitome of the process of simulacrum described by Baudrillard (Baudrillard, 1970), when the marketing signals lose all reference to material reality and become valued merely as symbols (Klein, 2000).

These cultural processes can today be construed as an iterative construction, a relationship continually embellished and reinforced between companies and their consumers, in which the latter are presently hold a tremendous, however diffuse, amount of power (Wright, 2005). The ways in which consumer society creates values for products percolates all the way across value chains. The cultural discourses that



surround brands reveal underlying discourses about the actors involved and the value of their labor, their identity, and the power relations amongst them. In the açai chain, cultural discourses around healthy lifestyles and beach culture were a key driver of the formation of the chain and its internationalization. Yet the associations with the product's origins and its ties to the forest have had varying degrees of relevance to different consumer audiences in each geographical scale investigated in the research. This has direct implications for the ways in which it is extracted, transformed and traded, and how value can be created and distributed, as we will discover in the empirical chapters.

### 3.2 The commodity fetish and the obscuring of the value chain actors

The commodity fetishism literature has been an important avenue for investigating the subjective meanings that are embodied in commodities, and their impact on trade relations. Research in commodity fetishism burgeoned throughout the 1980s, in an attempt to investigate relationships between production and consumption in an increasingly branded, and global, marketplace. Marx originally coined the term 'commodity fetishism' to mockingly point out how, as if by some sortilege, people attribute value to objects, as if it were somehow inherent to them, rather than to the labor that went into crafting them (Appadurai, 1994). The ways in which current marketing strategies further obscure geographic inequalities in the distribution of wealth (perpetuated by patterns of attribution of value has been widely criticized by Marxist thinkers in the commodity fetishism literature.

'Commodity fetishism' became a popular term, and field of research, with Appadurai's publication of *The Social Life of Things* (1988), where he investigated, from an anthropological perspective, the ways in which different societies invigorate objects by the attribution of subjective meanings. For Appadurai, this process of attribution of subjective meanings is observed in many societies, from the most 'primitive' to the westernized consumer society (Appadurai, 1988). Specifically, as regards globally stretched chains, Appadurai observes that there is a strong tendency to create 'culturally forced mythologies' about their production process.

He distinguishes three kinds of trade-related mythology: (1) mythologies constructed by traders, who are not preoccupied with the 'meaning' of the product, and only worry about its price fluctuation and logistic flow, (2) mythologies produced by consumers, who are divorced from the origin of their product and create narratives around them; and (3) mythologies created by workers along the production chain, who have no contact with consumers and the reality the product they work on is meant to inhabit. In each case, Appadurai (1988) postulates, the creation of mythologies is the outcome of a disconnection in the flow of information between

actors. He describes the way in which this knowledge is not only fragmented by scalar obstacles, but also increasingly commodified itself.

In the case of the açaí berry, this disconnection becomes very evident throughout the fieldwork. Actors across the chain have little knowledge of each other. Interviewees often had a lot of questions to ask about the other actors and their connection to the chain, their values and perceptions. The Ribeirinho, the primary extractor, and the primary cultural locus of meaning of the product are entirely obscured by the chain. This "asymmetry of information" is crucial to the formation of myths around the product for different audiences. While the beach identity can prevail in some parts, in other the Amazon myth is prevalent, and its associations with mysterious natural benefits. These myths are carefully packaged and encoded into the product by companies to build value within each consumer market.

In fact, Appadurai pays particular attention to the manipulation of this knowledge fragmented by the advertising industry. Based on the notions of aesthetisation first proposed by Bourdieu (Bourdieu 1979), he highlights the way in which advertising creates a certain aura of achievable exclusivity ('desirable yet reachable') for mass-produced goods. He regards this as the epitome of the commodification of the consumer himself, as lifestyles become increasingly symbolic. It is the potential attributes of his existence (from sex appeal, to sophistication, or health) that are appropriated into signs, then 'branded' (Appadurai, 1988).

While Appadurai focused on observing the process of fetishisation, many researchers have aimed to challenge it. In *No Logo* (2009) Naomi Klein describes, with abundant empirical detail, the way in which capitalism has co-opted the public sphere to engender consumer behaviors by taking advantage of the breaks in communication generated by globalized production modes. The sportswear company Nike multiplied its advertising spending more than tenfold in the 1990s (Klein, 2009), to create an image of an attitude, a way of life, for its brand. Not only does the company advertise, it promotes events, sponsors cultural manifestations, and produces web content. In this sense Nike, does not simply sell sportswear –it sells 'values'. The product itself becomes a conduit for the expression of brand identity, over and above its direct use. Klein (2009) quotes its CEO Phil Knight:

*"Nike is a marketing-oriented company, and the product is our most important marketing tool."*

Klein goes on to describe how different big brands, from Absolut tequila, Starbucks, to fashion houses like Louis Vuitton or Versace, have overtaken the cultural landscape, promoting capitalist ideas, spreading out production to poor countries, eroding labor rights, and enforcing a mode of living that conflates identity and consumption (Klein, 2009).

For many of the academics and writers that have embraced the concept of commodity fetishism, this is not an innocuous process. They view it as necessarily nefarious, serving to obscure gross inequalities inherent in existing trade patterns (Miller, 1995; Jackson, 1999; Castree, 2001). They engage in commodity-chain analysis to expose inequality. For the consumer, Nike offers a way to overcome obstacles and fulfill aspirations. In reality, the company is harsher at source, with children working in sweatshops under slave-like conditions (Lasn, 1999). These authors argue that there is a disconnection that enables corporations to divert attention from the immoral material reality of global trade patterns (Hudson and Hudson, 2003). The current branding and marketing impetus is thus viewed as mere extension of the capitalist project, a new form of economic colonialism, meant to extract further value from the impoverished periphery, hidden behind a veil of cultural (mis)communication. Undoubtedly, the complete absence of the Ribeirinho and the means of production of the açai berry from the minds of the actors across the chain create a real impediment to the rebalancing of value distribution in their favor.

The growth of branding as an expansion of capitalism was spurned by the neoliberal policies of the late 20th century. The mass privatizations, and international mergers and business acquisition frenzy of the 1990s resulted in considerable consolidation of power for global conglomerates. Local companies, and national brands, were bought off by foreign businesses, either to be adapted to their core strategy, or, in many instances, to be replaced by a foreign brand. Many national brands and companies were simply pushed out of the market (Moor, 2007). The underlying causes for the difficulties in 'upgrading' so important to the value-chain literature can be viewed in this light. There is a fundamental division of labor between the developed and developing world. The process of keeping 'value' –through the semiotic process of exchange value formation – remains in the West. The chain activities that GVC/GPN scholars describe as branding, design activities, product development, packaging, are in fact fundamentally immaterial. The economies of the core of rich countries have become increasingly 'service economies', with no real material dimension; they are factories of the immaterial, packagers of discourses, storytellers of the global capitalist hoax. Meanwhile for the *productor* economies of the Global South, who sell natural resources, or assemble goods that are designed and branded elsewhere, value is often represented as 'use value' based on 'labor costs' and resource-extraction costs, and studied through the input-output lens. There is no semiotic dimension to the value of their labor. In this way, the immaterial society reproduces the colonial trading patterns much as described by World Systems Theorists. In the case of the açai, for example, we see clearly that no Brazilian brand has managed to tap into the markets of the Developed countries where açai is nonetheless abundant. They have been unable to set up because of lack of capital and logistics, but also because of their inability, or unwillingness, to take up a place in that collective imaginary. With much of the cultural discourse of globalization being fabricated and disseminated from core to periphery, there would be little space for new messages travelling in the other direction. What travels out of

Brazil is a non-descript commodity, which is transformed into a valuable product in developed consumer markets.

The vision of a one-way, overbearing mass media, shaping the collective imaginary and obscuring reality, was first proposed by the Frankfurt school, including Adorno (1997), Marcus (1995), Benjamin (2008), who after the second world war sought refuge in the USA. They built on the theory of Gramsci (1971) of hegemony, to highlight the ways in which cultural industries legitimized notions of commodification and massification for the benefit of capitalism and the solidification of consumer society, much in the same way of thinking as developed in the commodity fetishism literature. These researchers theorized marketing and advertising as malicious instruments of segmentation of markets, creating false differentiations amongst consumers, while enabling the marketing of almost identical, mass-produced goods. This strategy obliterates real cultural specificity, creating a massified, conformist and risk-averse cultural and marketing landscape (Adorno, 1997; Holt, 2006; Durham and Kellner, 2009). Habermas (1970), a late scholar of the Frankfurt School, described how the concentration of 'firing power' in mass media resulting from collusion of corporate entities has consolidated the rule of capitalism, and the power of big corporations.

Social Domination operates through distorted communication, that is, between the marketer having much greater power than the consumer to dictate the codes of communication (Habermas, 1970; Adorno, 1997; Holt 2006; Durham and Kellner, 2009). In such a Marxist-inspired tradition, power is perceived to lie in production. Their approach is strongly based on the political economy that has spawned the World Systems Theory discussed above, and the unveiling of the corporate structures that dictate the production of certain messages, much as the commodity fetishism literature would do. The consumer is considered a dupe, powerless and oppressed by overwhelmingly repetitive mass media messages churned out by highly through Hollywood films, glossy magazines, and conservative newspapers. The predominance of Fordist capitalist models, and the explosion of mass-produced goods reinforced this vision propagated by the cultural theorists of the time, who feared for the total annihilation of individuality in favor of consuming, apolitical automatons. This is the vision presented by commodity fetishism scholars, for the most part. It is also the dominant paradigm in value-chain research, as described in the previous chapter. Consumption is a passive act, mandated by corporate conglomerates through massified messages (Adorno, 1997; Holt 2002, 2006; Durham and Kellner, 2009).

Against this obscuring of material disparity through commodification, David Harvey has strongly positioned himself, calling to 'lift the veil on this geographical and social ignorance' (Harvey, 1990). From the Marxist commodity fetishism perspective, all power lies in production, and the market, where consumers interact, is an apolitical sphere. Consumers are entirely passive, unable to see beyond this veil (Goodman,

2002; Goodman and DuPuis, 2002). Many authors propose that we aim our analytical guns at defetishising commodities, and exposing the unspoken inequalities in the global production system. Through providing sufficient information about production, we would empower consumers to take political action and redress inequalities (Lasn, 1999; Hudson and Hudson, 2003).

These works have prompted a gamut of ethical consumption practices, which aim to bring information about production practices to consumers, and imbue consumption with an ethical, reflexive and political dimension. A plethora of new modes of consumption has emerged, be it Fairtrade, local, recyclable, organic, reflecting a host of political and ethical preoccupations, mostly from an environmental or development/global equity perspective. The rise of the consumer activist has been amply documented (Castree, 2001; Bryant and Goodman, 2004). These new forms of consumption have direct impact on value chains, as they seek to redress inequalities through targeted interventions. For example, Fairtrade products pay particular attention to labor standards, and aim to redistribute more value at the base of the chain through premiums offered to certified producers. For açai in particular, organic certification is an important strategy for adding value in consumer markets.

### 3.3 The semiotics of ecobranding and their impact on value formation and distribution of NTFPS

For NTFPs in general, 'eco' and 'ethical' are often crucial consumer myths. Considering the dominant discourses regarding tropical forests and their inhabitants, it is the 'natural/eco' and 'Fairtrade' consumer myths that are most often conferred upon NTFPs by development interventions, and are discussed in the literature. (Jensen, 2009; Achabou and Dekhili, 2013; Sénéchal et al., 2013). The semiotic implications of this type of branding strategy has direct impact on how these products are value. In a detailed semiotic analysis of some of these products, Bryant and Goodman (2004) examine some of the underlying discursive assumptions that shape the consumption of these products. Eco branding is predicated on the 'endemic myth' of a pristine nature, constructed in conjunction with years of conservation discourse. Buying an 'eco' or 'rainforest friendly' product allows people to reconnect with nature and 'save the planet'. It also leads the consumer to associations about exoticism and adventure that have been engendered through exposure to wildlife documentaries and colorful images of tribes, and development/conservation praxis (Cook et al., 2004).

The work of Barthes (1972) allows us to further unpack these discourses through the analysis of images used in visual communication. Barthes created a technique of interpretation of cultural products to explore their structures, significance and effects. He describes how current cultural paradigms obliterate historicity and materiality,

and how objects are substituted for signs, that are represented in ways that recreate meanings abstractly. In *Rhetoric of the Image*, for example, he applies his semiotic technique to analyze an advertisement for Panzani pasta. He shows how the advert, made by a Canadian company for a French audience, successfully uses red, white and green coloring, and images of peppers and tomatoes to denote 'Italianicity' (Barthes 1972). The actual identity of the product is of little importance in relation to its semiotic portrayal. Cook and Crang's (1996) discussion of geographical knowledge, for example, is very much reminiscent to Barthes' pioneering work.

For Barthes, signs are combined to form mythologies that express wider cultural ideas. These mythologies serve to obliterate history and dissent, and naturalize the status quo, the existing social order. This creates a scenario where people do not question 'the rules of the game' – motivations are interpreted as 'reasons'. These mythologies maintain bourgeois ideology and capitalism. By making acts and images appear natural and quotidian, they are depoliticized, naturalized, and remain in place undisputed, following closely the viewpoint of the Frankfurt School (see above). In this way, semiotics can allow us to observe how ideologies are enforced, and social order reproduced. This method of semiotic analysis, and the investigation of symbols, though much improved upon, has become a key feature Cultural Studies and brand analysis (Barthes, 1972). It provides us with a step-by-step account of how fetishes are fabricated.

Many products with 'ethnic' appeal tap into these exotic/'othering' myths of developing world communities. It is perhaps important to note that the word 'ethnic' has a very specific connotation today, to use Barthes' terminology.

According to the Oxford English dictionary:

*'Ethnic: 1. Of or relating to a population subgroup (within a larger or dominant national or cultural group) with a common national or cultural tradition...*

*.3 Characteristic of or belonging to a non-Western cultural tradition' <sup>10</sup>*

The term 'ethnic', when relating to products, is thus shorthand for 'Other', or 'non-Western'. It falls prey to the usual prejudices to which the 'Other' is subject. The world's cultural diversity is reduced to a 'cultural mosaic' created for Western entertainment (Cook and Crang, 1996). Although the latter type of product has found some niche markets, they seldom succeed in becoming desirable objects in consumer societies. They are considered to be naive, or representing a lack of culture, wild and unsophisticated like those who produce them, and their design and

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<sup>10</sup> [http://www.oxforddictionaries.com/us/definition/american\\_english/ethnic](http://www.oxforddictionaries.com/us/definition/american_english/ethnic)

branding cannot compete with the more sophisticated alternatives available. The overall visual identity is very different from the more sophisticated exotic products marketed by Western luxury brands. There are clear differentiations between these two nature myths in the branding of these products.

'Ethnic' products are usually sold in specialty shops, and at a much lower price points when compared to Western goods. The packaging is usually colorful, if not garish, in line with modern notions of 'ethnic' in the mainstream media, with imagery displaying colorful 'typical' clothing and decorations. As Bourdieu points out, this 'maximalist' imagery is in stark opposition to the refined restraint preferred by bourgeois audiences (Bourdieu 1979). The cultural attributes that are valued are precisely their lack of a specific culture, their primitivism and guilelessness. The resulting imagery is that of racial difference and rainbow colors, a pastiche of Otherness, with little aspirational value for the sophisticated western consumer (Arnold, 2000; Bryant and Goodman, 2004).

Carol Hendrickson's (2002) analysis of the portrayal of Guatemalan handicrafts in over 350 mail-order catalogues in the USA provides a rich depiction of the process of representation of 'the primitive'. She unpacks the cultural assumptions that lie beneath the written text and images portrayed in these catalogues, such as the classic L.L. Bean, to Oxfam, to Robert Redford's Sundance catalogue. She describes how the catalogues choose exotic words such as 'jungle', or 'highlands', to denote mystical settings, and describe the goods as 'hand-woven' to denote a lack of technological sophistication. The use of 'realist' imagery, in stark contrast to that used by fashion magazines, falls in line with the documentary style that has become such an essential element of the primitive trope (Hendrickson, 2002).

Herein lies indeed the trap of Fairtrade, 'ethnic' or alternative/ethical trade branding strategies for NTFPs. There has been a significant, and often successful, effort to find markets for goods, and many consumers are more than willing to choose them. These markets can, in some cases, provide potential benefits to communities. Yet there is no real defetishisation at work, rather a substitution of one fetish for another: the charity/development, 'Other', 'primitive' signification, with little cultural distinction. The premium that can be added to a product that makes it 'charitable', or 'Fairtrade', or the type of 'eco' reserved for the primitive, appears much smaller than that can be added to make it aspirational (the type of 'eco' reserved for the Danish restaurant Noma, for example<sup>11</sup>). By creating an image of the 'primitive' that is caricatural, a 'glass ceiling' may be created for the exchange value of the goods they trade. Research has shown that consumers buy things they deem useful/desirable, and high quality, and place a high value on brands, eco or fair attributes are usually secondary (Young et al., 2010).

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<sup>11</sup> <http://noma.dk/>

'Fairtrade' or 'eco' is a charitable attractant, rather than an aspirational purchase, with advertisements typically portraying abundant wildlife, or a poor, unglamorous and culturally uninspiring subsistence peasant, smiling gratefully – the primitive trope. There is no brand, no aspiration, and thus little added value. In breaking the fetish, it is probable we are also limiting the formation of exchange value (Achabou and Dekhili, 2013) Yet for NTFPs in particular, production is a specialized, labor-intensive activity, which would require high price premiums to generate development. Perhaps this type of imaging positions its products in an unfavorable niche.

French anthropologist Marcel Mauss (1966) unwittingly provided an interesting account of how 'Fairtrade' or 'Ecotrader', can come to devalue producers in the Global South in *The Gift, The Form and Reason for Exchange In Archaic Societies* (Mauss, 1966). His writings are a popular theoretical basis for discussions on Fairtrade and eco consumption, by providing evidence in other societies of the importance of gift giving as a form of extra-economic exchange (Fisher, 2007). Mauss details the way in which the act of gift giving creates a social bond between giver and recipient in Polynesia, Melanesia, and northwest America. He sees this exchange as an important counterpoint to the representation of 'Homo economicus' of utilitarian economists. He proposes that we look at these pre-capitalist societies as examples of how we can reclaim a social dimension in trade relations, and sees in this behavior the core of social solidarity that becomes the welfare state, for example.

Yet one aspect of the gift exchange that is often underplayed in the literature is the position of the recipient. The act of giving presupposes an obligation to reciprocate on behalf of the receiver. In Mauss' own writing, when the receiver fails to reciprocate, they lose honor and status. What is being exchanged here is not just a particular good, but prestige. The recipient of an unreciprocated gift (i.e. charity) is undermined by the act, losing face and becoming inferior to the giver. It is easy to follow Mauss' (1966) example of the 'social security net' in contemporary Britain, to see how recipients of benefits are demonized and devalued into 'benefit scroungers' and 'wasters' by the popular media.

In an era of commodity fetishism, where the symbolic underpinnings of trade are of core significance, this dimension of gift giving is particularly revealing. If we contend that buying a Fairtrade product, and often an 'eco' product, is both a purchase and a gift, the transaction is perceived as a charitable action, in which the receiver loses face, while the buyer gains honor and social standing. The merely optimistic, unreflexive notion of 'gift giving' fails to expose the power dynamics at play (Fisher, 2007). Added to the existing inequality in the relation between western consumer and primitive trope, we compile an added layer of submission through the 'charitable purchase'. It might well be that the portrayal of the 'primitive' in Fairtrade and eco trade endeavors contributes to their devaluation, rather than create an aspirational



image that could justify, in the contemporary world of simulacrum and branding, the addition of value to their products (Norris, 2013).

This could explain why Fairtrade marketing is moving away from a 'break the fetish' strategy towards one that centres on the superior quality of its products. In *The Mirror of Consumption: Celebritisation, Developmental Consumption and the Shifting Cultural Politics of Fair Trade*, Goodman (2010) criticizes the move towards more 'mainstream marketing techniques', such as endorsements by celebrities, and 'quality' over 'morals', which he posits creates barriers to entry and puts the product in an 'iron cage'. In an attempt to move to a more aspirational line, idyllic sceneries have substituted the images of the farmers in promotional campaigns. Celebrities now appear more often endorsing the brands than the actual producers and their communities. This seems to indicate that Fairtrade marketers have caught on to the 'Maussian paradox'. Yet he admonishes the loss of a 'political soul' in the movement, a 'Faustian bargain', however successful it seems to be (Goodman, 2010).

The article (Goodman, 2010) does not consider whether traders and producers in the developing world are more interested in successfully marketing their products, rather than critiquing capitalism. In general, the literature does not commonly ponder how the producers prefer to be represented. For Goodman, it is a loss that Fairtrade is being co-opted (arguably very marginally if we analyze the current imagery associated with it) into mainstream marketing, and losing its political edge. He does not address whether the producer was ever interested in being a political pawn in the first place. Yet the producer, when heard, as Sarah Lyon points out in her study, is most interested in getting more money for the product, and often has very little interest in the wider political or ecological battle (Lyon, 2006). As Spivak points out, here, the subordinate does not speak. The plight is instrumentalized into a political agenda that the producer may or may not be comfortable with (Spivak, 1988).

By expressing their revolt with globalized capitalism in the branding of products, the NGO community, social enterprises, and those involved in a variety of endeavors that seek to redress injustices in trade relations may end up betraying the best interest of communities by using trade as a site for their own politics. They appropriate these images and their meanings to raise critiques to Western capitalism that often escape the grasp, or are in stark contrast to the worldview of the people being portrayed (Sadath et al., 2013). People in the developing world are commonly in favor of globalization and trade (Morgan, 2010). The critique being instrumentalized by the appropriation of these people's identities is not necessarily one that they would support. Does this type of product attribution best serve the economic objective of maximizing value capture? The literature on certification's impact seems to suggest otherwise, and discussions on the actual value of 'primitive' branding have yet to engage more deeply with this question. Instead, what we see is the reproduction of hegemonic discourses, that reinforce structural inequalities in World Trade relations, in a very Gramscian fashion (Gramsci, 1971). These products

are unwittingly marketed in a way that does not disrupt existing cultural norms, and, consequently, values.

The primitive so attached to NTFPs has become another 'fetish' of post-modern society, a trope in our pantheon of symbols. A person lives in the 'jungle' irrespective of whether that be somewhere in South East Asia or the North of Brazil. The people are depicted wearing 'traditional clothes', colorful, and often revealing, seemingly defenseless, and innocent, wild and unsophisticated - something that must be protected, almost as if an endangered species. Through documentaries, and magazines, such as National Geographic and the Discovery Channel, we learn that these are exotic beings, like the jaguar or the orangutan, and that the people of the 'developing world' are mostly different from us, rather than inherently like us. Here lies the fundamental hegemonic discursive relation that Said (1979) describes as an unequal, inferior, although picturesque 'Other', and as such our dominance over indigenous forest dwellers is somehow justified. And therefore they are nothing like the sophisticated forager of European gastronomical circles (Said, 1979).

Expanding from Said, the work of anthropologist Marianna Torgovnick (1991) brings insight into the representation of what we call 'indigenous people' or 'the primitive' (Torgovnick, 1991). This bears particular importance for the notion of exoticism that these 'wild' associations have on the valuation of NTFPs. Amazonian communities remain a nebulous construct in the Western collective imaginary (Schmink, 2003). Starting from the inception of ethnographic investigation, she unpacks the ways in which representations of the 'primitive' are riddled with hidden prejudices and misappropriations that produce a patronizing, and infantilizing portrait of other ways of living. She shows how ethnography has contributed to the creation of tropes that represent these people as 'libidinous, irrational, violent, dangerous', while we in the West occupy the high ground of 'proper' civilization.

As such, the primitive exists to tell us something about ourselves in the West, as in the idealized pre-capitalist fantasies of Left-wing philosophers, or in the new 'guardians of the forest' trope, adopted in sustainable development discourses, a counterpoint to the greedy consumerist Westerner (Torgovnick, 1991). From the beginning, the adoption of 'indigenist' discourses in the West has been tainted with such preconceptions, shaping the development of NTFP interventions and commercialization. The actual impact of these new consumer practices and labels/brands on labor standards or environmental wellbeing is highly questionable (Bernstein and Campling, 2006; Morgan, 2010; Marston, 2013; Guthman, 2003; Bacon, 2005). Hudson and Hudson point out that only 50% of Fairtrade branded coffee is sold as such, because producers fail to find buyers willing to pay the premium associated with the certification (Hudson and Hudson, 2003). Meanwhile, brands that peddle the classic fetish of 'aspiration', such as Starbucks or Nespresso, continue to flourish.

Meanwhile an entirely different, luxurious and culturally rich myth can apply to NTFPs, with truffles, for example, reverencing the highbrow forager in an authentic and valued terroir. For example, the restaurant Noma in Copenhagen, currently ranked as the number 1 restaurant in the World, specializes in serving NTFPs. Yet the language they use, and the way in which extractivists are valued, is entirely different from the developing world NTFP collector. Noma's motto, as stated in their website, reads:

*'In an effort to shape our way of cooking, we look to our landscape and delve into our ingredients and culture, hoping to rediscover our history and shape our future.'*<sup>12</sup>

The nature described here is one that is culturally rich, of the highest sophistication, much like the organic movement described by Guthman (2003) in California. There is no mention of extractivism, or poverty-reduction and forest conservation. Rather, the language adopted is that of 'foraging'. The restaurant's book dedicates its first section to the life stories of each of the company's supplying 'foragers', highlighting the cultural richness of their traditional activities (Redzepi, 2010). Foraging has become a gastronomical trend in Western restaurants, an activity of the highest sophistication, that takes place in a nature that is cultivated, and steeped in tradition. This is an aspirational, luxurious 'nature', i.e. one that is rich with exchange value.

Yet NTFP research and development praxis remains trapped in an ideological contradiction, seeking to harness the benefits of globalization, and yet fundamentally mistrustful of it, unwilling to exploit its workings. In this vein, trade is good, but is also bad, in that it needs to be fairer. Consumer society can be viewed as the source of our woes, but also a possible solution. Indigenous communities are pure, innocent forest guardians that need to be 'empowered'. 'Alternative' pockets of trade are created, where actors can do things differently, patronizing both consumers and communities, and creating a distorted lens through which they communicate with each other, heavily framed by specific ideologies, though openly declaring itself capable of 'breaking the fetish'. Other forms of value addition and harnessing demand are deemed exploitative and unworthy. The impact on value formation of the representation of these communities embedded in the identity of their products is typically ignored. The way in which meanings and relations affect overall chain formation, and condition development outcomes remains underexploited. An approach that contemplates these discursive constructions and their underlying meaning, while not losing sight of material constraints, could unlock the discussion and provide valuable new insight. Fundamentally, we must examine what myths are created for NTFPs, and for what purpose. Are they instrumentalized to critique to capitalist project, or to maximize value for forest peoples? What would they prefer?

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<sup>12</sup> <http://noma.dk/>

Regarding the impact of these myths on NTFP value chains, the literature about green or ecosocial production, outlined above, indicates that dominant upgrading strategies are highly contingent on the marketing myths employed in western markets tied to Fairtrade or organic certification. Some studies juxtapose the semiotic value of certification versus community impact (Lyon, 2006). Most often, companies with strong brands in consumer markets capture the overwhelming majority of these price fluctuations (Fitter, 2009; Johannessen and Wilhite, 2010). However, the type of messaging involved can have consequences for the stability of demand, the shaping of the chain, and the type of intervention operating at the community level.

For the açai berry, one might argue that the absence of an appealing myth of the Ribeirinho, or of the Amazon, creates in fact a barrier for the successful marketing of its products, particularly its NTFPS. We will see in the empirical chapter that one of the best options for increasing incomes at the base of the chain would be to diversify into other products. However, there is no cultural backdrop against which to market them in a significant way, based on their existing cultural relevance. Yet a myth of forest primitivism has not proven appealing to açai's consumers, and as we see here is not likely to add significant value. Either these other products' myths are reinvented like the açai, or a meaningful identity for the people of Pará must be carved out in the collective imaginary. These arguments are revisited when we trace the chain and formation of meaning of the açai berry throughout the field work.

At present, the identity of the açai berry has few ties to its Amazonian roots, or ecological implications of production. It is the beachy identity of the product, far removed from its original identity, which has enabled it to find a place in premium markets worldwide. Again, here, although many might argue that in order to value producers we must break this fetish, perhaps in this case embracing the fetish and allowing for new meanings to be associated to the product were the key to the formation of the chain and creation of exchange value, by connecting culturally with consumers in a way that would be meaningful to them. Still, organic certification is an important marketing tool for opening up international market, although it is of little relevance for producers.

### 3.4 Reconfiguring meanings – postmodernism, consumer agency and the iterative construction of the açai myth

The process of reconfiguring meanings and attributing value can indeed be seen as a more free flowing, iterative process than the top-down representation of scholars such as Klein, as has shown to be the case for the açai berry (the "new" myth occurred naturally, on the beaches of Rio in the early 1990s). Despite the cultural barriers that condition exchange value formation and distribution, contemporary consumer culture is gaining strength and independence, particularly with the onset of

the internet. Consumers are increasingly understood to reconfigure, and co-create myths, in ways that can hold potential for meaningful and positive development outcomes for forest products. Many scholars have seen space for dissent, and reconfiguration of meaning – and value – at the consumer level. The ways in which the açai myth has been reconfigured, unwillingly, by consumer behavior, irrespective of targeted marketing, as it has travelled across scales is telling of this phenomenon, and the importance it can have for building markets for NTFPs in general. The formation of its dominating myth, of beach/health, was not the object of a planned corporate plan to obscure its origins, but an iterative construction that happened spontaneously, through an amalgamation of lifestyle trends.

In a much less negative vein than his colleagues in the Frankfurt School, Walter Benjamin (2008) highlights that even in the 1930s the ways in which consumer society liberated individuals to express themselves creatively, in a polymorphous and ambivalent 'carnival of realities', without the restrictions of traditional artistic codes existed. People have choices, and can construct their individuality in much freer ways than previous mores allowed. Artistic forms were democratized through technology, ushering a new era of self-expression. For Benjamin, there is meaningful enjoyment and self-expression in the spectacle (Benjamin, 2008). This less austere point of view allows some space for individual expression in consumer society, and the recognition of consumption as a meaningful, political situation. As consumer society, has continued to evolve, people have become accustomed to the constant bombardment of mass media, the appropriation of cultural spaces by corporations, and other marketing 'trickeries'. Despite pervasive hegemonic messaging, individual, counterhegemonic spaces and behaviors continue to flourish. Countercultural movements continue to emerge, producing a constant flow of discourses and spaces. The polymorphous configurations of subcultures (youth, Latino, LGBT) continue to proliferate, resisting the massifying pull of corporate culture forms (Holt, 2002). Globalization did not obliterate cultural differences, and massified shared meanings coexist with local, situated cultural forms. Postmodern reality would be, above all, hybrid, although unequally and often problematically so (Featherstone, 2007). Acts of resistance are diffuse, rather than revolutionary, forming a complex relationship between individuals and consumers, constantly coevolving. Consumer culture theory shows us how marketers quickly caught on, coaxing with irony, humor and artistry, relying on taste rather than forceful repetition. Rather than reinforcement through repetition, marketers began to weave their brands into existing cultural trends in favor of their brands, thus commodifying all cultural expression (Holt, 2002). It was the birth of 'cool', as brands used often ironic messaging to present themselves as bearers of authentic cultural context (for example, sponsoring rock tours), distancing themselves from mere commercial trading.

The recognition of individual agency as formative of counterhegemonic spaces would find its most accomplished theoretical expression in the model proposed by the Birmingham School of Stuart Hall (1973). In the 1970s, Stuart Hall and the

Birmingham School highlighted the ways in which people would reconfigure and 'hybridize' signs. They would reimagine the 'semiotic process' from a new viewpoint, postulating that the masses were not entirely passive receivers, but active producers of meaning. In *Encoding and Decoding* Hall (1973) postulates that for the discursive cycle to come to fruition, it must be translated into social practices: 'If no 'meaning' is taken, there can be no 'consumption'' (Hall, 1973; see also Durham and Kellner, 2009).

Hall, in exploring the ways in which television audiences decode messages, proposes three different strategies: the dominant-hegemonic position, the negotiated position and the oppositional position. In the first case, such is the force of elites in enforcing a point of view, and so 'natural/technical' is the form of the message that it is received and decoded exactly as expected: reproducing the expected hegemonic signification, and enforcing the dominant ideological apparatus. In the second case, that of the negotiated code, audiences can identify the dominant, expected discourse, while still leaving space for additional, more-situated interpretation by the receiver – there is some wiggle room (Hall, 1973).

In the opposing position, the receiver decodes the message and reinterprets it according to another framework, ascribing another, non-intended meaning to the message. In this way, although the Birmingham School recognizes the unequal power between marketers and consumers in their communication and the power of images as symbolic vessels of ideology, it opens space for a more-nuanced view, where reconfiguration and dissent on the part of the receiving public is possible. From this perspective, the work of semiotic interpretation is not uniform, but manifold and positional. Messages can have several meanings according to who decodes them. The interpretation of the semiotic academic is only one, and empirical research must be employed to hear consumers and investigate different processes of decoding.

This paradigm, labelled 'reception theory' (Hall, 1973), opened space for the analysis of how people receive and reconfigure the signs they receive. Marketing is no longer just solely about cultural engineering, but rather an iterative, if asymmetric, process between corporations and individuals, with ample space for resistance. Marketing embeds itself into a wider societal dialogue in the public sphere, with significant levels of dissent and hybridization.

The prerogative of the semiologist savant, and their unique ability to decode ideologies in symbols, is ultimately challenged, though semiotics itself remains a valuable tool. There is no single 'right' interpretation for a message, no unique code. The advertiser no longer controls the outcome and forces the formation of value. The process of creating, encoding, decoding, and interpreting, symbols is tentative, and plural, as is value formation. Rather than a programmatic, predictable activity, branding and advertising are better interpreted as a dynamic dialect relationship

between marketers and consumers (Holt, 2002). While companies increasingly develop new techniques to add value to brands, consumers increase their reflexive ability and resist the homogenizing messages created by advertisers, in an ongoing 'tug of war'. To interpret their symbols, and identify discourses, one must identify positionality, listen to consumers, and embrace the multiplicity of forms of decoding that are possible in postmodern society.

In particular, concerning consumers' relation to commodities, the work of Bourdieu (1979) also opposes Baudrillard's notion of total political erosion (Baudrillard, 1970), by observing the ways in which varying levels of cultural capital enable individuals to judge commodities according to codes of good taste, reproducing social difference. Although mass media may be attempting to annihilate all real meaning, individuals still reconfigure goods in their own lives to represent their social position. People are endowed with 'symbolic capital' which betrays their class positioning and personal trajectory in life, and are naturalized to appear instinctive, in a blend of fashion choices and general demeanor. Direct class conflicts are effaced in favor of taste, the ultimate arbiter of social relations. Although marketing messages, and fashion, no longer follow a homogenous pattern, people somehow still manage to express differentiation and class through their own interpretation of these signs. Consumption is thus a political practice (Bourdieu 1979). Cultural expression and the symbolic meanings of commodities become forever entwined, and mutually reinforce each other, forming a cornerstone of the post-modern era. People no longer subscribe to a fixed identity, but rather to fluid, overlapping, 'fragmented identities', for example stating that they are health conscious, because they buy low fat yoghurt, or a gourmet, because they bought imported French yoghurt. The constant appropriation and remixing of signifiers by the advertising industry, and the dizzying pastiches that result as individuals receive, interpret and reconfigure meanings are what differentiate post-modernity, where power lies in diffuse practices, shared between spaces of production and consumption. Identity is not dissolved by passive consumption, rather it is performed through active, meaningful consumption (Simmons, 2008).

Academic researchers have increasingly employed ethnographic methods to investigate consumers as the locus of creation of value, rather than mere arbiters. Within cultural studies, the research conducted by Katz and Liebes in 1986 in the reception of the soap opera 'Dallas' by four different ethnic groups in Israel and the USA is a commonly cited illustration of these notions of hybrid reception. For example, while Russians distance themselves from the plot by discussing the storyline based on assumptions such as 'capitalists behave like this', the Americans are prone to identify personally with the storyline, and compare characters to people in their direct social circle. Different cultural contexts enable different modes of interpretation, and homogenous cultural messages are thus reimagined through hybrid interpretation practices (Katz and Liebes, 1984).

As regards commodities, Miller's study of Coca-Cola in Trinidad provides a perspective on how brand meanings are reconfigured in different contexts (Miller, 1998). Yet this study makes clear that local decoding should not be interpreted as an equaling of power between corporations and consumers, because their messages remain overarching, global and pervasive, despite the existence of some variation between groups, based on place, gender, or class. There is, nonetheless, an apparent constant tug of war, as cultural values and commodities morph, through the dialectic relationship between companies and consumers, where aesthetics and taste becomes increasingly prevalent forms of hybrid value creation, and consumers increasingly navigate multiple diffuse identity projects.

In recent times, through marketing praxis, the recognition of the consumer as a locus of value co-creation has led to the now dominant paradigm of 'emotional branding'. Fournier's (1998) notion of 'brand relations' has pushed marketers to evolve brand management into emotional territory, seeking to build affective relationships between brands and consumers, and generating brand communities. Emotional Branding: The new Paradigm for Connecting Brands to People (Gobe, 2001), brought the advances in academic research to marketing praxis, and created a new way of branding (Gobe, 2001; Merz et al., 2009). Marketers now sought to create 'brand stories' that succeeded in becoming part of consumers' life stories to link to their social networks, this phenomenon has been observed by ethnographic research in brand communities (Muniz and O'guinn, 2001; Thompson et al., 2006). Value is created through this iterative relationship. This tug-of-war between the homogenizing forces of mediated advertising messages with globalized commodity production, as well as local reinterpretation and social difference, is explored in the evolving literature on cultural studies, anthropology and geography (Ozanne and Murray, 1995; Murray 2002). While many scholars see this process as a manifestation of the further erosion of place and identity in the global landscape like Baudrillard (1998), others see brands as complex, and subject to heterogeneous, meaningful reinterpretation (Luna and Gupta, 2001; Pike 2009).

This viewpoint would very much inform the empirical work of Commodity Circuits literature such as that of Cook and Crang (1996), and the discussion of creolization present in the work of Hudson (Hudson, 2004). Cook and Crang urge us to 'embrace the fetish': they observe the inexorability of this process in contemporary society, and encourage an analysis of the process to work towards better social ends, rather than seek to dismantle it altogether (Cook and Crang, 1996; Jackson et al., 2006). In this perspective, the process of fetishization is seen as inevitability. It is assumed that attempts to dismantle these fetishes through the formulation of new knowledge about the origins of commodities only create new fetishes (Crang et al., 2003). The authors highlight the ways in which different modes of knowledge created by producers and used by consumers in the circulation of commodities shape material outcomes, and vice-versa (Cook and Crang, 1996).



Knowledge about food, in particular, is not merely imposed by marketers upon passive consumers, but reconstructed collectively within cultures. Consumers interpret the information passed along by marketers within their own cultural universe, made up of their personal cultural heritage, their social relations, and the wider cultural symbols amongst which they exist. Cook and Crang (1996) describe the ways in which geographical knowledge is used to 're-enchant' mass-produced goods, and add exchange value. These meanings are produced, interpreted and reconfigured through the circulation in flows of knowledge that are heterogeneous, complex, and in a constant state of flux (Cook and Crang, 1996).

Other similar studies in commodity circuits and consumers (Morris and Kirwan, 2010) build on this knowledge to further develop notions of commodity fetishism as an inevitable cultural co-construction. There is an intertwining of material and symbolic dimensions, where the consumer has epistemic power in the construction of signs. Goodman and Dupuis (2002) point out that this approach marks a shift from a 'single locus of power', modernist representation, to something more reflexive and post-modern. This means that where material and cultural dimensions co-produce social realities it is possible to shift our understanding from Marx's consumer fetishism, of power in the hands of producers used to obscure social relations, to the totem, representing social relations resulting in a more-diffuse distribution of power than classic Marxist thought would allow (Goodman and DuPuis. 2002).

What we see then is that the extent to which eco/Fairtrade modes of production/consumption effectively dismantle the fetish is highly contested. For many researchers, it would seem that a new fetish substitutes the last, as these goods gain their own commodified symbolic dimension, and are appropriated into lifestyle identities of consumers such as health conscious, or gourmet, or environmentalist, amongst others (Crang et al., 2003, Guthman, 2003; Goodman, 2004; Lyon, 2006; Morris and Kirwan, 2010; Marston, 2013).

Much as Bourdieu (1979) describes, the consumption of 'organic' foods in Western circles responds to a need by consumers to differentiate themselves from the mainstream. It is a reconfiguration, whereby consumers recreate traditional associations to create differentiated identities. The organic movement shares close historical ties, for example, with the formation of the Californian gastronomic scene, as preoccupations with origin, or terroir, have always led to the high value placed on certain ingredients (the truffle, an NTFP from Europe, amongst the most valuable of them all in terms of price per unit weight). This trend towards 'green consumption' has been critiqued by authors for being a type of 'new age' status seeking, while companies are often accused of 'green-washing'. This type of consumption has also come under attack for depoliticizing the environmental discussion, as individuals opt out of political contestation and 'placate their guilt' through ecological consumption choices instead (Guthman, 2003; Bryant and Goodman, 2004; Spaargaren and Mol,

2008). Nonetheless, it is a clear sign of the ways in which myths can be reshaped by consumers, rather than forced top-down by the marketing machine on the public.

For the açai berry, this process of creolization was central to the formation of the chain beyond the State of Pará, as becomes clear throughout the fieldwork. The açai berry did not find favor because of the building of a primitive Fairtrade eco-myth, or because of top-down marketing trickery. It became popular almost by accident, as athletes, surfers and the beach population of Rio began to consume it in the form of frozen bowls throughout the 1990s, after being introduced to it by the Gracie family (as described in detail in Chapter 7. It was reinvented as a new product, one that resonated with local culture, and in this way, became popular. Once again the product identity changes in California, for example, in order to find a place (Chapter 8). Without this process of creolization, it likely would remain in Pará, only, and fail to sustain the thousands of families it currently sustains. It becomes clear that attachment to a "real" meaning for products is not necessarily conducive to building positive trading outcomes, and that adaption to local trends is crucial to creating new markets.

### 3.5 Conclusion

The investigation of exchange value formation in consumer markets is crucial to understanding how, and on what terms the açai chain has formed and globalized. The creation of a new myth on the beaches of Rio de Janeiro was crucial to the formation of the chain. In this way, understanding how these myths are formed and how they can impact producers becomes a crucial axis of this research. There are several dimensions to the formation of the concept of 'exchange value' in the literature. First, marketing messages can be construed as effective means of obscuring the inequalities of global trade (the fetish), blocking consumers from influencing value chains that could lead to fairer outcomes. Effectively, there is practically no knowledge of açai's Ribeirinhos in the chain's markets, and this could certainly limit the ways in which they are valued, and consequently, their revenue.

In reaction to this smoke screen effect, a multitude of certifications and labels have arisen to promote fairer and more-sustainable trade practices, and to seek to lift the veil from chain relationships. However, these certifications have little impact on value formation, and do not warrant significant price premiums in the way that aspirational brands do. For açai, certification plays an important role for consumers in the US, but has little meaning for producers.

Furthermore, the representations of people in the developing world, and particularly forest peoples, as lowly victims may serve the value of political contestation within Western systems, but does little to improve their terms of trade. Yet we see these strategies percolate through forest communities in the form of well-intentioned development interventions, despite holding little local meaning or truly improving

incomes. In the açaí chain, attempts at creating these "documentary-style" associations with producers have found little success, and companies have found them to be of little use in building relationships with consumers.

In the meantime, without much top-down intentionality, the açaí berry has found in the iterative construction of meaning, or creolization, the key to its expansion as a global commodity. It has transformed from a forest berry to a beach food, and has become associated with health trends, sports and beach culture. This has happened initially almost spontaneously (although marketers quickly caught on to reinforce those messages). We see that although the fetishisation does obscure the chain, its impact to development might bring significant benefits, by ways of enabling the reinvention of products in markets, a re-situation of meaning, that can build such consumer demand (and at significant exchange value premiums) that it can pull the formation of entire value chains.

Furthermore, as consumer culture has evolved, and the internet has democratized access to information and the building of 'global tribes' connected by shared identities, the space for new representations of forest peoples grows. Already, myths of sophistication of Western nature have become notably aspirational and ecoluxury markets thrive. However, we see that, in a sort of scalar differentiation pattern, the nature of the wealthy is chic, while the nature of the poor is primitive. Yet the space remains for new formations of consumer myths, which resonate with increasingly astute audiences, and revalue the fruits of forest peoples' labor.

## Chapter 4. METHODOLOGY FOR THE RESEARCH

### 4.1 Introduction

This research rests on three theoretical bases: value chains, consumer studies, and development. This chapter now identifies the methodological path used for the present study. This path includes the selection of methodological tools, how these were applied to the açai case study; and a discussion of their constraints.

As the preceding chapters have shown, much criticism has been directed towards Global Production Networks (GPN) and Value-Chain Analysis (VCA) research, especially concerning its alleged lack of theoretical robustness. Despite these criticisms, various scholars in these fields have claimed that these approaches have achieved methodological advances. (Yeung and Coe, 2014). Indeed, VCA scholars have argued that there is a need to choose methodological guiding principles to take into account the maze of actors, relations and scales, follow a certain commodity, throughout its travels from extracted raw material to final consumer good, and investigate its path, like an Ariadne thread, through these global webs (Dicken et al., 2001).

In the present study, I am trying to understand how a chain is formed, the value conditions for each section of the chain, and, more importantly, how can we maximize development potential at the point of origin. How did certain actors manage to erect this chain from nothing, under what constraints? What is the impact of consumer myths in forming the chain in its present configuration? To answer these questions, the research is based on semi-structured interviews, and backed up by secondary information. To bring out as much context as possible, actors along the chain should be interviewed in some depth. By splitting the fieldwork into four regions, the research aims to look beyond "one" local, which has been the norm in most studies, to tie together several "locals" (or geographical scales) and understand how internationally stretched chains can influence development outcomes. With qualitative methods being employed in different contexts, this chapter also discusses the researcher's own positionality within the research process.

The style of analysis adopted In this study might also be called a 'multi-sited' ethnography is adopted, because it seeks to explain the significance and experience of broader changes occurring in several locations. Yet, inevitably, it is not possible engaging with diverse locations without losing the same depth of analysis achievable if the research were conducted in only one location (Marcus, 1995). Such analysis cannot portray either the summation of local realities, or the entirety of the world system it concerns, but it does provide insightful narratives through the collection of a well-chosen selection of data and other information. In order to strengthen the representativeness of this information, different modes of triangulation were used in

order to provide insights of the same aspects of the value chain from the perspectives of different informants. Triangulation also enabled the analysis of institutional context, sociocultural issues, territoriality and development (livelihood patterns) that GPN requires (Crang and Cook, 2007). The present research thus follows and develops the steps proposed by Yeung (2003), which, while providing the depth required of an investigation into the 'whys and hows', still provides sufficient triangulation to ensure a reasonable level of solidity to the resulting data set (Yeung, 2003). These practices refer especially to mapping, interviewing and collection of secondary data, as well as information from consumer focus groups and personal observation of research sites.

#### 4.2 Positionality and research ethics

The positionality of the researcher conditions the design of the research, and the knowledge created throughout. Certainly, my own background informed the core of the research design, having grown up travelling as the child of a diplomat and then further through my career in development. I have also lived in the countries where the research was carried out, and am part of the surprisingly global and connected yoga/healthy lifestyle 'tribe'. I have grown up constantly in an "inside" and "outside" position, even in my country. It was from my own position as a "product of globalization" that I approached this chain and its people, seeking cultural stories to weave together, and differences to highlight. Following a thing such as the açai berry around the world was a way to materialize the fragmentation of globalization, while building strings of cultural connection. Still, as an active development worker, it was important to find structural constructs that would create sufficient replicability and applicability to the research for others to employ in practical development work. Perhaps being myself Brazilian, and having felt the Othering eye of the West on "peripheral" cultures, and the constant ideological appropriation and essentialization of our identities in development praxis, it was important to try to articulate a voice for forest communities that effectively did not "put words in their mouth" about their viewpoints on capitalism or trade (Belsky 1999, Sultana 2007). I was very careful not to overly interpret what I heard from my interviewees. It was important to ask what they wanted, rather than to imply to them what they should want, which has become so second-nature for the development industry.

The positionality of the researcher constantly comes into play, in different ways, across research sites (Rose, 1997). As a white, Brazilian woman, I was met at each research site in very different ways; finding ways to recognize social and cultural difference, while also building rapport is crucial for a productive dialectic process of building qualitative insights. Luckily, being Brazilian, but also a near native English Speaker, did not create a language barrier at each site, enabling conversations to flow in a more unstructured fashion.

It was through my background as a development professional that I gained access to key players in Belém, and that I was able to tap into the existing network of the açaí business in Belém. Certainly, my position as an educated outsider, and particularly my business background, were key in building rapport with factory owners and corporate actors, who were often gatekeepers to middlemen and communities. Interviews were very long, often stretching over more than two hours. Friendships were built, and trust was created. For a period of two and a half years, I spent several months at a time in Belém, waiting for people to return calls, trying to gain access. Over time, some interviewees had several conversations, and invited me to their homes as well. It was through this mutual trust that it was possible to gain access to one factory's supply chain, and to find my way to communities. As a woman wandering into jungle settings alone, it was important to be accompanied by a trusted presence. This was the case for the communities in the Abaetetuba region, which were reached through a middleman from the city. This was a crucial means already of observing the importance of his social brokerage role, as he had tight links with the factory owner, and had family bonds and long friendships with the communities from whence he sourced açaí. In Marajó, it was through a local NGO that a web of social entities and communities were accessed. It was possible in this way to see not only the workings of the chain, but to speak to social workers and other members of the local community about living conditions and social inclusion.

At community level, conversations about trade and income were had mostly with men. Being a white outsider with a clipboard granted me some level of respect from these men, but cultural difference often made conversations sparse. The cultural gap between us was notable. In contrast, it was always easier to approach the women, often caring for kids, or taking care of kitchen duties. Perhaps the most valuable, and light-hearted conversations about Ribeirinho livelihoods, local dynamics, and trade relations, were had around a kitchen table. It was often after getting the women to warm up that the men came into the kitchen and joined the discussion. Even as an outsider, I could find common ground as a woman in the kitchen and build more familiarity when brewing coffee and helping to make lunch.

Being from the city, in contrast, helped create rapport with the teenagers, who were happy to unload local gossip, discuss music and pop culture, and talk about their aspirations. This was crucial to help me relate culturally, and begin to see the vibrant cultural life that exists in what would seem to me, an urban outsider, very sparse settings.

Having time to chat, turning off the recorder, and spending entire days with families was key to creating a sense of ease. As much as possible, conversations were unstructured, and my questions about livelihoods and the açaí trade were woven into the overall conversation. Talking in groups also helped interviewees in communities supplement each other's knowledge. Often, despite their experience with the trade, the questions I asked felt unfamiliar, and demanded that we reconstitute their

knowledge in a different way. For example, discussions of relationships with middlemen, the impact of their surroundings on their livelihood options, or their aspirations for "upgrading". This exercise always worked better in groups.

At other rungs of the chain, as it became more corporate and less informal, my façade as a corporate insider was crucial to building rapport. These were business-like chats, with plenty of business jargon on logistics and marketing strategies. Access here was a lot more hard-earned, having to come through a business contact, a common acquaintance and so forth. It took three weeks of waiting to get an interview with the founder of Sambazon, which only came through an old personal contact (a yoga teacher, most telling of the company's cultural positioning). Having lived in the US and being a yoga practitioner made it easier for me to approach that subculture, to put together participants for a focus group (by attending and befriending a "yoga mommy" class in the park in Long Beach) that was attuned to the consumer culture broadly associated with açaí consumption. Similarly, in São Paulo, contacts were made through personal connections, and once trust was built, more doors were open. Still, a lot of patience was required to access each interviewee, and getting them to reveal sensitive information was near-impossible. Again, the focus group was built based on my own personal contacts amongst the "yoga mommies" of São Paulo.

Regarding research ethics and fulfilment of duty of care, the guidelines of the London School of Economics were followed carefully, ensuring active consent from all interviewees. These guidelines in turn also reflect the advice<sup>13</sup> of scholarly networks and funders such as the Economic and Social Research Council or the Association of Social Anthropologists of the UK and the Commonwealth.<sup>14</sup> The research does not, according to those guidelines, require any outside revision or certification, the self-certification having been adequately submitted to the Head of the Department. In the context of this current research project, the main requirements referred to consent; storage and reporting of sensitive personal information; and personal safety and ethics in the field.

Concerning consent, care was taken to discuss the objectives, and public interest of the research, particularly for Ribeirinho interviews, who might have more difficulty understanding the terms of their cooperation. Before interviews, meetings were held with communities to discuss the terms and objectives of the research and ensure participants that they could choose to participate and withdraw at any time. During interviews, all speakers were asked if they were willing to provide information, and informed of their right to terminate the interview, or request their exclusion from the study and deletion of their information at any time, by contacting the LSE directly, or the researcher. Whenever possible, consent was written and provided by a signature

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<sup>13</sup> <https://esrc.ukri.org/funding/guidance-for-applicants/research-ethics/>

<sup>14</sup> <https://www.theasa.org/ethics/guidelines.shtml>

that also explained (in Portuguese in Brazil, in English in California) the purposes of the survey and the speaker's right. When appropriate, consent was also given orally in interview recordings (such as for participants who apparently did not read or write).

Concerning the storage and reporting of information, all informants were anonymized in resulting reports and analysis. Furthermore, any particular information that could allow tracing to a specific village or household were also removed where appropriate. It should be noted, however, that the research did not (in the main) touch upon clearly controversial or illegal activities. The interviews were recorded using two different audio devices, which were, whenever possible in the same day, stored in the Apple Cloud in encrypted format, using the FileVault system. The data was not shared with any outside party, and only the researcher accessed and transcribed these files.

Concerning personal safety, the main requirements were to seek advice about travel, and the potential risks to a woman working alone in rural locations. For this theme, I was able to draw upon my own knowledge and experience of visiting remote zones in Brazil, as well as asking advice from local NGO workers, village heads, and prominent women householders. Added to this, the discussions with village heads also clarified the nature of the work in order to remove the possible fear that my arrival in these zones might be to assess other, possibly, illegal activities. These informants could also communicate any special requests concerning my own activities. To be clear, however, the research process did not detect illegal activities, and I experienced no obvious threats to my personal safety.

### 4.3 Choosing a methodological toolkit

Value-chain research involves the tracing of a product across a value chain (mapping), the identification and interviewing of actors across scales, the gathering of secondary data and the investigation of the links between scales and actors. What varies is how widely the net is cast horizontally, at each stage and the type of data collected. VCA is primarily centered on intra-chain dynamics and measures power relations, value distribution and upgrading prospects through input-output data. It is heavily reliant on quantitative data, and does little exploring outside the actors directly involved in the contemplated chain (Kaplinsky and Morris, 2013). Meanwhile, the more lateral, holistic approach preferred by GPN scholars, particularly those that embrace more wholly the cultural aspects, is concerned with context (institutional, social and cultural 'embeddedness') in which trade relations take shape, and is more qualitatively oriented (Dicken et al., 2001; Henderson et al., 2002). In this research,



we are concerned with how the chain took shape, which makes mapping essential (to establish the actual shape of the chain), and why, and how it connects to contextual issues at each geographical scale. In this way, the choice for qualitative methods imposes itself, to build a narrative that explains, rather than merely relays the chain configuration. This means that qualitative, in-depth interviews are the preferred method for this part of the study. Furthermore, input-output data is of little use if we cannot clearly assess the costs and revenues of each company, which actors in the chain were very unwilling to reveal.

As regards the production of NTFP-specific research, the manual produced by Marshall et al. (2006a) is a particularly valuable study undertaken in a large, well-funded project, with the participation of many researchers. A great deal of data was collected, from input-output data, to livelihood studies of each community, policy analyses and market studies, through the application of questionnaires, and the writing-up of community and market studies. The strong focus on community-level participatory research, conducted primarily through ethnographic methods, anchors the exercise as a development project, aimed precisely at improving the livelihoods of those communities, providing a 'horizontal' counterpoint to the VCA analysis (quantitative and input-output based, Marshall et al., 2006).

Marshall et al. (2006) chose tools such as community mapping, focus groups, and participant observation to provide in-depth of knowledge at the community level. Ethnographic methods such as these are a staple of development research and particularly of NTFP literature. Unraveling forest peoples' livelihoods is a complex task, as these people often lead secluded lives, with little access to communication technology and live mostly outside the cash economy. Income can be a poor measure of poverty or inclusion, and the application of standardized questionnaires is difficult in challenging settings such as these (Nolan, 1996).

The need to delve as deeply as possible into the livelihoods of producing communities, and the ways in which the articulation of trade patterns affects them, was a key preoccupation in the design of the current study. Since a large amount of research exists which chooses to only investigate deeply local community dynamics, a choice was made to attempt a whole-chain analysis. However, the need to take time and observe local specificities, particularly at community level - the 'horizontal' aspects of the value chain – was a key concern within the research process and was carefully considered in its design.

Rather than complete a quantitative VCA and a deep community-level analysis, the research was instead conducted through in-depth qualitative interviews throughout the chain, and involved field visits, to provide the richness of observation that is crucial to building a convincing narrative into the operations of a particular chain. Although a comprehensive, input-output analysis of the açaí value chain would be a desirable outcome, the research questions pointed to other priorities that would more

readily bring out the contextual issues that are pertinent to unraveling chain formation and configuration.

To date, few studies have followed such a methodology that might be used as a basis for a more-qualitative investigation. In this situation, the objective is to unveil what factors enabled the formation of the chain in its current configuration and how it is sustained, with what development outcomes, rather than merely with a specific intra-value chain governance pattern upon which VCA scholars such as Gereffi (1994) are fixated.

As Yeung (2003, p.455) clarifies:

*‘Since quantitative data are not sensitive to variations in experiences at the individual social actor level, they are not necessarily a valid measurement of the rationale and behavior of these social actors. If we take the economic action of these actors as socially embedded and highly contextualized, the validity of quantitative data is even more questionable, since indicators of economic action may not be compatible with the goal of measuring social and cultural behavior.’*

In this way, the qualitative sensibility is at the core of the present research design. It is also the method of choice of cultural economy, commodity fetishism, much of the consumer research and literature about development, precisely for the rich qualitative data it elicits. The predilection of these research methods makes possible the formulation of a coherent research design, despite the disparity of conceptual fields addressed in the literature review of the present study. The ethnographic sensibility is thus at the core of the methodological design of this study.

‘Ethnography’ is defined here as a particular approach, rather than a fixed set of methods. To acquire some of the textured data on how people live and why they act the way they do, much detail can be lost by moving across sites rather quickly, instead of focusing on a single site. In trying to elucidate how and why a value chain came about, this sensibility is thus crucial. Although economic concepts such as value addition and business environments are the focus of the present study, this data is captured through the perception of interviewees, and later corroborated with secondary data.

#### **4.4 Mapping the value chain - Determining its configurations and actors**

The process of mapping the value chain (see Figure 4.1), although it produces a schematic and seemingly linear flow, is in fact iterative and tentative. The researcher maps and remaps what is learnt about the chain throughout the research, constantly plotting actors and contextual factors, trying to map relations, and seeking to investigate the nature of each link. While VCA scholarship is concerned with

mapping intra-chain actors that are directly tied through trade links, GPN scholars see chains as networks, embedded in wider webs of overlapping scales and contexts. Mapping is thus a much more comprehensive, and complex exercise (Kaplinsky and Morris, 2013). This entails mapping out, at each link, the business environment, that is, ancillary firms and institutions that provide support, such as design, packaging, but also credit, or legal support. It also seeks evaluate institutional contexts, such as the role of governments, NGOs, labor organizations, in shaping trade relations, as well as the socio-cultural conditions that enable or restrict value formation and upgrading potential. There is thus a great deal to map in each chain, and this process itself generates directly a great deal of data for analysis (Henderson et al., 2002).

The mapping process also serves to identify suitable interview subjects. In the present study, interviews were open-ended, sometimes protracted, and shaped to extract from actors their motivations and subjective viewpoints vis a vis the specific context in which they are embedded. A key consideration here concerns how the chain emerged, and what factors have led to its internationalization and current configuration. Through receiving information from key players, and allowing them to share their experience in dealing with the product requires long, open-ended interviews, to generate the genuine recollection that can provide not only a valid reconstruction of the history of the chain, but a deeper understanding of the motivations and incentives that have shaped each actor's participation. They are meant to construct 'thick descriptions', that betray informants' points of view ('etic') (McCracken, 1988; Spiggle, 1994). Together with the mapping exercise and collection of secondary data, interviews provide a solid basis for triangulation, while still allowing the necessary level of qualitative fluidity to enrich the research findings.

To create a first value-chain map and select research localities, secondary research was conducted initially. This enabled key themes to be identified, and informed the formulation of interview outlines. Data about input-output volumes and value distribution was collected whenever possible through the literature available. This helps build the shape of the chain, and grasp value distribution across scales. Within the existing literature on the açai berry; some studies that have mapped out the chain, though mostly partial, and attempted input-output calculations, which can provide useful, complementary information for discussion. They were useful in guiding the present, more qualitative, textured, investigation.

The choice of localities was based on what was known from the historical expansion of the commodity's reach, and considered to provide sufficient cultural variety to provide valuable data for analysis. Of course, only strands of this chain were mapped. Understanding for example how European countries have or not adopted açai products and why, would be very valuable. Well exploited discrepancies between developed and developing business environments and their chain impacts are invoked. Understanding how different developed environments and consumer

landscapes compare to each other could point to important policy recommendations for the market development of value chains.

The açai chain stretches from the entire basin of the Tocantins River towards markets as far as Korea and Japan, passing through processing facilities in Belém, factories in the Southeast region of Brazil, Europe and the USA. Intervening institutions are often local, but the central government in Brasilia, thousands of miles away, also has direct impacts on chain configuration. Once a general map of the entire chain was sketched, a specific segment of the chain can be selected, and analyzed with greater detail. The choices made here were to prioritize the most important segments of the chain, which enabled the tracing of its formation (it was through Belém, the Southeast of Brazil, and then California that it eventually reached across the rest of the Globe). Familiarity with the language and personal contacts were also important in finding research sites.

#### 4.5 Conducting interviews to understand chain embeddedness and upgrading trajectories

The mapping exercise spawned the interview process, which in turn constantly retraced the mapping of the chain and the key underlying issues that shape it (Figure 4.1). Throughout the study, a total of 90 people were interviewed, from a wide geographical area. Interviews were long and some key questions were always asked, using the guiding principles of the impact of embeddedness on chain creation, its current configuration, and its development outcomes. Questions were nonetheless open-ended, and interviews often lasted over three hours. These were almost all audio-recorded, and reviewed many times over to identify key themes, and uncover motivations, positions, and relations between actors and their context that could reveal how this remarkable chain took shape. The number of interviews for each topic or place was selected based on their relevance, rather than repeated exhaustively to provide some form of quantitative solidity.

As Crang and Cook (2007, p.12) make clear of the ethnographic approach:

*'It is not the sheer number, 'typicality' or 'representativeness' of people approached which matters, but the quality and positionality of the information that they can offer.'*

Interviewees were selected during the course of the research, through the contacts of those previously approached and contacted in the research process. As other studies have also found, the tracing of the network of interviewees itself provides a rich account of the underlying social relations that tie trade together. Sometimes, such as with factory owners, more than ten interviewees were involved, and other times, such as local actors in Abaetetuba, once the initial interviews were completed,

it was clear the topic had been exhausted. The richness and uniqueness, and the quality of the information received directed the research. Overall, the interviews concerned how actors behaved in certain ways and why, and sought to elicit specific points about configuration, embeddedness and value capture. There was opportunity to explore the effective quantitative information that makes up value-chain research. This type of information would have proven valuable to better substantiate findings on value capture.

Several months were spent in 2012 and 2013, initially, in Belém, getting to know the region and reaching out to local NGOs and government officials to find relevant actors within the chain to interview, such as factories, traders, NGOs and government representatives. At this stage, contacts were acquired in Marajó and Abaetetuba that could facilitate the community-based stage of the research. Then several months were spent between field sites in the region of Abaetetuba and Marajó, interviewing communities and conducting participant observation to understand the extractivist context of the açai production system. Two different sites were selected, the first, Abaetetuba, with good logistic links to the city and the second, Marajó, in relative isolation, to contrast and compare how different territorial embeddedness conditions the terms of inclusion into the chain. Interviews were conducted with community members but also with key informants from NGOs, governments, and community leaders.

Access was a key driver to identify communities. In the Marajó region, it was granted through a local NGO, Instituto Peabirú, which has worked with the remote community of Curralinho, in the Marajó region, for several years. The community is very isolated, hard to locate physically. Each household is spread out and a reasonable amount of time is required to conduct each interview, at least a half day per household. Several days were spent commuting to and from Breves by boat to conduct interviews. Being accompanied by a local leader and community activist was crucial to quickly gain some level of trust and engage in conversation. The research required asking about earnings, trading relationships within and outside of the community, which can be sensitive issues to broach with a stranger. Sticking around and chatting with the whole family was key to getting these issues out.

Meanwhile, in the Abaetetuba region, access was granted by one of the smaller factories, through one of their middlemen, or "atravessador". He sources his açai mainly from the Limoeiro region, from whence his family originates. In this way, I was able to meet many community members and his extended family. Being Brazilian, again, helped build common ground, through general chit chat and a little humor.

In addition to the qualitative interviews and open questions, the research also gathers data from the field through direct observation, to build a scenario from which to infer how and why actors behave within and outside the chain in certain ways. Many of the interviews reported here were spontaneous, in the form of informal

conversations in the field, involving group interviews and the recording of meetings and events in the daily life of participants. For example, the recording of a conversation amongst a group of women of Limoeiro (Pernambuco, Brazil), of how closely they observe other households, how they monitor local actors and prevent theft and punish inappropriate behavior was crucial in understanding how social mechanisms regulate actors' behavior locally in the absence of State presence.

In contrast, gaining access to the middlemen who trade between communities and larger middlemen, and spend most of their lives on boats, was quite difficult. In Marajó, it took accosting a boat that was travelling along the river, and where the men were quite heavily armed. Safety is a real issue for these men, as robberies are common. They operate in complete informality and are very weary of outside contact. Interviews were quick, almost furtive. The most important middlemen in the cities could most easily be reached through their factory contacts. It was important to be at the factory on the day their shipments arrived, as it was practically impossible to set up conversations, or explain the purpose of the research, on the phone.

After some interruption, for financial and logistical structuring reasons, the research then moved on to Los Angeles, California, in 2015, where the pioneer trade link, responsible for bringing açai to the US market is located – the Sambazon group. Other products containing açai in the US market were also identified, and factories and traders interviewed whenever possible. This part of the research also included focus groups with local consumers, to gauge attitudes to the product and its marketing strategies. Several visits were also conducted to retail outlets, from juice shacks to supermarkets, to observe consumption and understand the local context. Institutional actors were also interviewed, to provide a picture of the food industry in the region.

Subsequently, six months were spent in 2017 in São Paulo and Rio de Janeiro, investigating trade links, and the ways in which the açai berry became part of the local diet. Interviews were conducted with factories, retail outlets, traders and the Gracie family, who initially brought the product to the South of Brazil. At this point, the research also included focus groups with consumers. Finally, telephone interviews were conducted with federal government agencies, such as the Environment Ministry and APEX<sup>15</sup>, the export trade agency, to discuss the policy scenario and discuss existing programs aimed at the açai chain.

Overall, Ribeirinhos from communities are perhaps the most pervasive voice. Several research sites were chosen throughout the Tocantins estuary (four in total), and several community members were interviewed at each site, individually and collectively. Although much effort was made to include as many middlemen as possible, these were quite elusive characters and only seven agreed to be

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<sup>15</sup> <http://www.mma.gov.br/> <http://www.apexbrasil.com.br/>

interviewed. This was enough, however, to gain a general understanding of how they organize the trade, and what roles they play.

The chain narrows upwards, since there are fewer actors involved at each stage in the natural hierarchy, and, necessarily, the number of potential interviewees diminished. In Belém, where there are many factories, it was possible to interview and visit five processing plants. In São Paulo, the fieldwork included visits to four processing plants. In California, however, where the açai trade is dominated by a lead firm – Sambazon – gaining access to sources of information directly was the most problematic. It was still possible to interview other minor processors. Nonetheless, as the market spreads out across many brands that have açai as a minor ingredient, it was more important to speak to industry actors that could explain the workings of the industry than a particular actor, and to the traders who distribute the raw materials. Since the study was aimed at understanding how scalar configurations fit together, and how they were negotiated by actors, it was best to gain a detailed view of context and gain in-depth insight from key actors. With limited resources, a long investigation, for example, into the peculiarities of co-packing (the manufacture and packaging of a product under contract to a client) in California was impossible.

Overall, the input of supporting institutions, such as trade associations and governments, as well as the abundant secondary literature, were also crucial to determining embeddedness of the chain in particular scalar contexts. In this way, the sampling methodology, although iterative, was to interview as many of the key actors that created and maintained the chain, while also seeking to understand the viewpoints of the smaller actors involved, whenever possible. For example, in Brazil representatives from small factories and local shops were interviewed along with the leading firms, to gather a diversity of perspectives.

Gaining access to new web of actors in different locations was a challenge. Corporate actors in particular were difficult to pin down, and without an introduction from a common acquaintance, it was impossible to get them to participate. With more solid institutional backing at each scale, it might have been easier to schedule interviews. Less time could have been spent trying to gain access, and more interviews could have been conducted. This was always going to be a challenge when spreading the research across so many sites, and conducting it in the format of a single PhD endeavor.

#### **4.6 Focus groups - understanding consumer myths and relating them to chain configuration**

To harmonize data collection, researching the consumer perspective and analyzing the chain aims to investigate how subjective meanings of products in consumer

markets affect chain configuration, adhering to an ethnographic approach. This type of methodology – the focus group in particular – has been widely adopted within the consumer studies, providing a strong basis for the setting up of the research approach within technically firm parameters. Focus groups are widely used within marketing research as an exploratory technique, and are a good basis for understanding consumer attitudes and behaviors. As consumer behavior is often based on social norms, the sense of belonging, status, and shared meanings, the collective construction of ideas that is typical of focus groups is particularly suited to marketing research.

Focus groups can be a relatively inexpensive and quick way of acquiring a substantial amount of data from the consumer perspective, particular when conducted with homogenous groups. Focus groups can also allow open discussion, without too much leading from the researcher, thereby providing data that is experiential, spontaneous. As the subjects of a group interact, and discuss a certain topic, different layers of meaning are revealed in a free-flowing fashion, as participants associate ideas and share experiences.

The focus group method is, nonetheless, not without its shortcomings. Participants are also often prone to forgo their own views in favor of the dominating views of the group, and can be led astray by probing that is too suggestive. It is thus important to triangulate the data with information from other sources (Threlfall, 1999; Breen, 2006). Marketing professionals are very keen on combining focus groups with surveys, which provide the type of quantitative reliability that is so crucial to securing the immense budgets for advertising and marketing that are crucial to the perpetuation of the profession (see Chapter 2, herein; Calder, 1977; Threlfall, 1999).

However, in academia there is freedom to investigate phenomena inductively, with greater richness, a task for which standalone qualitative methods are favored (Deshpande, 1983), since focus groups are often considered part of the ethnographic toolkit, providing a good fit with the overall research design. The adoption of this method to investigate consumer preferences in several locations provides the necessary variety in place-specific perspectives. The phenomenological approach to focus groups, which finds much grounding in marketing research, and is also considered a part of the ethnographic toolkit, was thus selected as the method through which consumer subjectivities would be examined and integrated into the overall GPN evaluation.

Despite many calls in the value chain literature for such an approach to be applied, which brings together insights from GPN and consumer studies, there has been little work that brings together these bodies of knowledge. Thus the methodological experiment proposed in this thesis, of positioning one analytical scale at the production end of the chain, and another at the consumption side, is novel. The application and bringing together of consumer-based methodology and production-



based methodology is thus a key challenge, nonetheless made easier by the overall qualitative/cultural approach adopted throughout.

The focus groups were held at key consumer sites, in São Paulo and in Long Beach, California. Very similar types of interviewees were selected, a group of "yoga moms", who are in their late 30s, early 40s, and make purchasing decisions for their family. This is the key demographic for food purchases<sup>16</sup>. Furthermore, this was a group that was easy to access, and to relate to. It is my own demographic, and I am a long-standing practitioner of yoga. Finding a group in California was the easiest way to put together a focus group, as well as in São Paulo. Yoga practitioners are quite a global cultural tribe as well, and comparing between two of these groups in different regions was an effective way of building a solid basis for comparison in attitudes between sites.

Undoubtedly, conducting a single focus group in each consumption site does not provide high levels of generalizability that more in-depth quantitative methods, such as the combination of exploratory focus groups and surveys, could provide. However, the fact that few were conducted at each site does allow for the extrapolation of valuable constructs regarding the territoriality of consumer behavior, and their impact on chain configuration across scales.

In each location, a group of approximately six participants was selected. In both cases, a group of 'yoga mummies' was chosen. This more 'open-minded' and health-conscious tranche of the population is a keen açai consumer, and is receptive to issues about sustainable consumption. Mothers are also the key decision makers in the household for these types of consumer decisions. The use of a consistent set of questions and a similar group of participants allowed a level of standardization across focus groups, while highlighting the territorial specificities of each endeavor to become all the more evident. Territoriality was, in fact, the key factor in determining sampling.

Although it is customary to conduct a series of focus groups until 'saturation' is reached, the geographical extension of the research design curtailed any such ambitions. There was one focus group in each location, which was identified as the best available within the time and financial constraints of the study. It is not possible to claim that effective saturation was reached.

The exercise was exploratory, and points towards a wider research agenda, which was far from exhausted in the present study. Much better clarity could have been achieved through the repetition of focus groups of each research site, with different profile combinations. The follow-up of the exercises with questionnaires would also

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<sup>16</sup><http://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Gender%20Equality/Women%20in%20the%20food%20industry/Women-in-the-food-industry-web-final-old.ashx>

have proven valuable to better substantiate the consumer insights in this research. Without this further investigation, the research rests often on correlations with the literature. Unfortunately, the choice for researching the varying views in the açai trade often made it difficult to build sufficient solidity for analysis.

#### **4.7 Analytical process - connecting field data to research questions**

The fieldwork generated a great volume of data. Many hours of interviews, focus group sessions, in addition to chain maps, field notes, photos of packaging and other branded content, as well as a great deal of secondary data were captured. The data was thus first and foremost divided by place, to highlight how different cultural localities influence the specificity of the chain ('territorial embeddedness'). Each chapter was analyzed in relation to embeddedness and chain configuration, to determine at each rung how the chain took place in its current configuration, how that configured value capture, and what policy instruments might improve development outcomes.

Scales and territoriality play a key role in the present research, and provide a classification that would carry out in the analysis of data and organization of chapters (Dicken et al., 2001). The analysis went on to determine chain formation and configuration, value capture, development outcomes and policy recommendations, in juxtaposition to the different categories' embeddedness. This formed an analytical framework that could tie together different findings at different locations, in a manner directly related to the research questions. Consumers and value formation insights were then added along the same axis of embeddedness, to allow them to be integrated into the analytical process cohesively. These insights were put into tables, presented at the end of each chapter, and were used to synthesize key learnings at each site, and to form a basis for a final analysis in the conclusion.

The interview recordings and notes of interviews served as important sources of key facts. Reviewing this information allowed key themes to surface, which served as an open coding mechanism, which left sufficient space for new themes to emerge. Each focus group generated its own report, highlighting key collectively constructed knowledges for each discussion. The available secondary data also provided important clues to contextualize interview data, and facilitate the drawing and redrawing of the value chain map as it presently stands (Cragg and Cook, 2007).

The communication context was analyzed from a territorial perspective, and possible underlying causal threads were identified for the subjective cultural valuation of different products containing açai in each research site. This analysis informed to a reasonable extent the focus group exercises, where consumers were asked to give their opinion about different marketing strategies, for example. It was also a valuable means of analyzing underlying themes emerging from the focus groups, and

correlating them with the cultural embeddedness issues identified throughout the value-chain analysis. This spatial directive revealed processes of translation, fluidity and friction between sites, which formed an important cornerstone of the analytical process.

This sorting mechanism allowed key trends to emerge, many of them fitting well within the established parameters of GPN analysis, but many of them inconsistent. As discussed above, the primary concern here is identifying how different forms of embeddedness constricted or enabled chain configurations across scales, and determined the distribution/capture of value. The volume of research sources allowed for ample triangulation, and the emergence of strong underlying themes throughout.

For example, it became evident that the notion of governance, although valuable when describing the relationship between two actors, was wholly insufficient to explain how multiple chain relationships configured a whole chain. It also became clear that coordination across geographical scales was a crucial element of chain success, although the captive governance patterns that often mandate it are often depicted as conducive to abuse and problematic. Many of the subjectivities involved, for example, the under- appreciation of the key role of middlemen as crucial to the organization of the chain, which were clear in the fieldwork, required a strengthening of the cultural economy focus of the literature and overall analysis. Throughout the fieldwork, the tripartite notion of embeddedness served as an organizing matrix, eliciting important insights from interviewees, and providing a contextual backbone to the mapping exercise.

However, with such a qualitative approach, this study might be interpreted as too subjective to directly inform policymaking. Still, it provides a solid narrative, and collates much data into a new perspective. While it may lack quantitative data to support certain analyses, the sheer volume of opinion reveals a great deal about how the chain works, and about what motivates the behavior of actors. With so many voices pointing to a need to rethink how NTFP interventions are designed, and the wealth of existing secondary data to back it up, policy makers should certainly feel compelled to initiate dialogues that include a wider diversity of voices. A new agenda for NTFP research and project implementation could benefit from these insights, the painstaking work of quantitative data collection and verification, at each scale, would be needed to provide the level of certainty that policymakers often demand. This would require a team effort, gathering data from a multitude of actors, and, collating secondary information too at each scale.

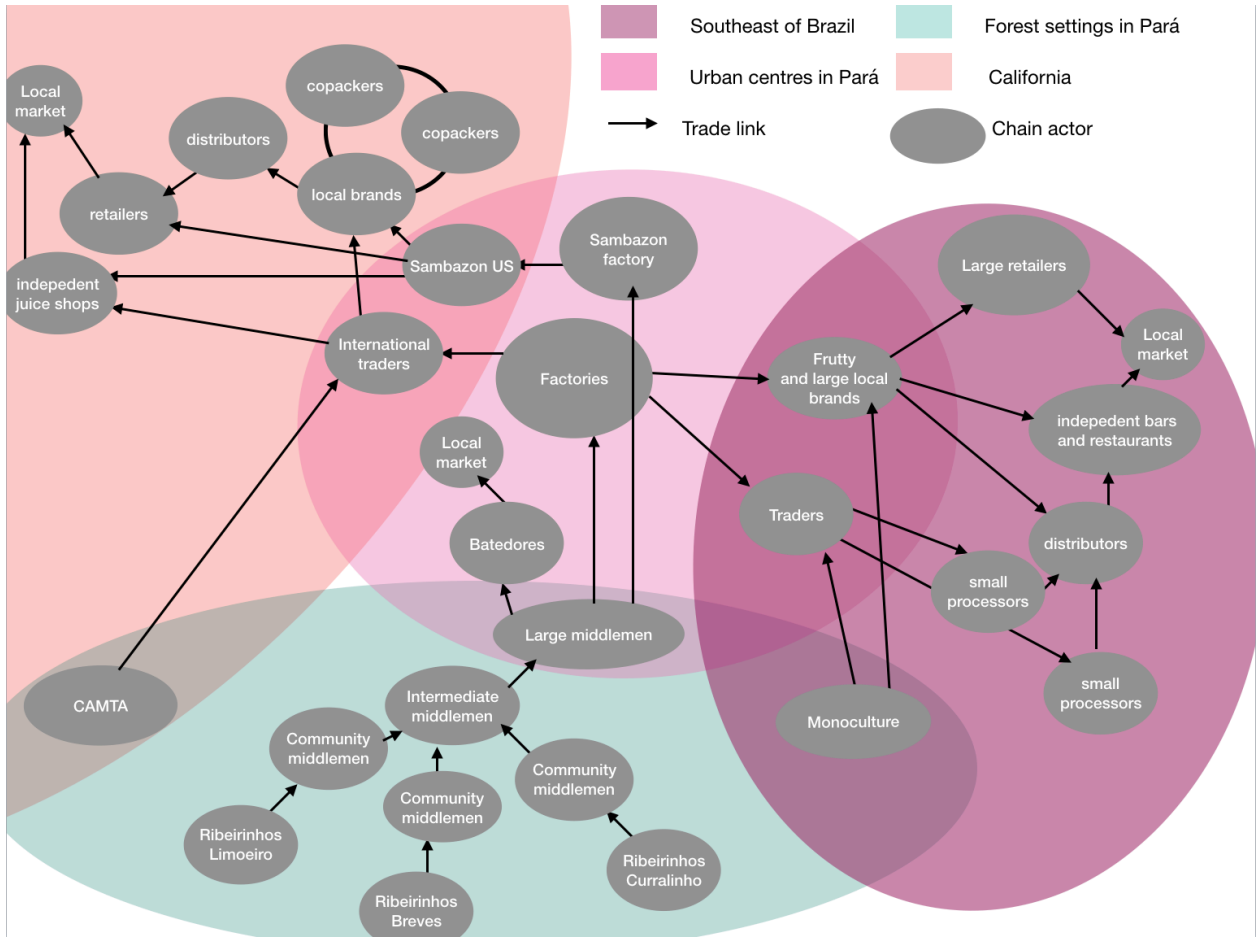


Figure 4.1. The açai production network (prepared by the author)

## Chapter 5. THE RIBEIRINHOS OF PARÁ, BRAZIL, THE HARVESTERS OF THE AÇAÍ BERRY AT THE BASE OF THE VALUE CHAIN

### 5.1 Introduction

This chapter describes the fieldwork conducted at the base of the açaí berry value chain, which originates among the tangled waterways of the State of Pará, Brazil. Here, the local population harvests the berries in small batches from trees along flooded riverbanks. The aim of the chapter is to investigate how inclusion into the chain has affected local livelihoods, how local conditions affect that inclusion, and what strategies have been put in place to improve value capture, and with what outcomes.

The Ribeirinhos are one of Brazil's poorest populations. They live in isolation, with very little state support. They rely on subsistence crops and incipient trading. In this context, the arrival of the açaí trade has given this population a great bounty, and according to local stakeholders played an instrumental role in driving these people towards livelihood patterns that are less detrimental to the forests they inhabit. State support, in the form of government handout programs such as Bolsa Família, (a government welfare programmed – see for example, <https://www.theguardian.com/global-development/2013/dec/17/brazil-bolsa-familia-decade-anniversary-poverty-relief>) has also relieved poverty. The açaí trade and state support are two streams of income that have given the Ribeirinhos a new dignity in their situation, local economies have been invigorated, and social relationships have begun to change.

Problems, such as lack of organizational support, geographical isolation and resulting sociocultural patterns hinder progress for these populations. The Ribeirinhos are still reliant on middlemen to trade their goods and are unable to increase their income through currently available upgrading strategies. These limiting elements, as well as potential opportunities are discussed below in relation to current chain embeddedness and potential strategies that could engender better development outcomes.

To best capture the different modes of açaí production and their relation to the chain, the fieldwork was conducted in several sites. The research began in Breves and Curalinho which are two towns in the remote region of Marajó Island, the world's largest fluvial island and a significant producer of açaí. The remoteness of Marajó from trade routes provides a valuable counterpoint to the next research site, the Abaetetuba region which is Brazil's biggest trading hub for açaí. This town is at the center of the largest producing region in the Tocantins river estuary; it is well connected to the capital by navigable boat waterways and motorway which makes

markets easy to access. A community in the small town of Limoeiro was the subject of in-depth investigations. Another part of the fieldwork was in the town of Santarém that is hundreds of miles away from the Abaetetuba region. The purpose was to investigate the new, 'modernized' mode of production that could be described as a large monoculture experiment.

A visit to a Japanese cooperative in Tomé Açú was arranged. This is a uniquely successful mixed agroforestry and industrial model.

In each location, the research explored not only who does what in the chain, and for how much, but also how each actor's surroundings and social relations – their embeddedness – shape their behavior, and, in turn, the chain itself. Whenever possible, supporting institutions, Non-Governmental Organizations (NGOs) and government officials were interviewed to provide context for the intra-chain activities. In total, 27 interviews were conducted to inform the present chapter, complemented by participant observation at research sites and secondary data.

## 5.2 Local chain formation

Currently, there are approximately 120,000 Ribeirinhos living in the State of Pará. The State of Pará, in the Eastern Brazilian Amazon basin, has an area of 1,247,690 km<sup>2</sup>, roughly five times the area of the United Kingdom. It is covered in tropical forest, though about 136,127 km<sup>2</sup> have been cleared, mostly for cattle ranching.<sup>17</sup> This area has been shaped by a history of 'boom and bust' cycles of extractivism.

The first of these cycles was a tremendous boom and then disastrous bust of the natural rubber industry at the beginning of the 20th century. The first boom witnessed a migration mainly from the Northeast of Brazil to the area, to harvest rubber in the vast estates of landowners. When the rubber market folded, the population, nevertheless, remained in riverbank settlements. They adapted technologies and diet from the local indigenous populations to create a model of subsistence livelihoods upon which they rely to this day (Brondízio, 2008). This was followed by other forms of exploiting other natural resources, mainly through mining and extensive low-technology cattle ranching.

Until the late 1980s, the Brazilian government incentivized deforestation and encouraged the creation of large landholdings where settlers from the South occupied the last, unexplored expanses of the Amazonian rainforest. Meanwhile, the elite, who were mainly of white, Portuguese origin, retained the trappings of traditional paternalism that was typical of a post-colonial period. Pará is not a State

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<sup>17</sup> <http://desmatamentonaamazonia.andi.org.br/para-entender-melhor/sistema-prodes-fornece-estimativas-anuais>

that ever developed any specific industries that added value to any particular commodity, or specialized in commerce. It has been, and remains, a land of extraction of commodities, of fast-gain enterprises that are low-tech and require little investment. In this context, the Ribeirinhos have been, and remain, mostly overlooked. These people either work as a day laborers in large land-holdings, or fend for themselves along the riverbanks. Products are shipped (with no, or minimal, processing) to faraway markets, as the economy of the State of Pará remains isolated and underdeveloped. This is the historical context in which the açai chain came into existence, and as it currently manifests itself.

Historically, the açai berry was only eaten by local populations in times of famine, but since then it has become a fad in health-conscious markets globally as well as a staple food in the diet of the rapidly urbanized local population. The açai palm is native to most of the Amazon basin, but most production occurs in the State of Pará, in the Tocantins River estuary and Marajó Island. Traditional riverine populations extract the açai berry manually from the *Euterpes eularecia* palm. They mash the hard fruit into a pulp, and is useful as a foodstuff because it is rich in nutrients and healthy fats. The pulp is usually mixed with manioc flour (made from the cassava plant) and whatever protein is available. Due to the phenomenal increase in demand that has occurred over the last 15 years, the açai berry has been catapulted to the key source of income of the Ribeirinho population, and one of the most successful Non-Timber-Forest-Products (NTFPs) in the World. It is estimated to be the main source of revenue for 77% of the rural population in the Northeastern region of the State of Pará (de Santana et al., 2013). Yearly production is estimated at 107 thousand tones (IBGE, 2015).

### 5.3 Tracing the chain

In most cases, the açai berry is extracted from naturally occurring palms by the Ribeirinho population, who inhabit the labyrinth of waterways in Pará. Picking açai berries is part of a variety of activities, which for the livelihood of the Ribeirinhos usually involves entire family units. To pick açai, the Ribeirinho climbs the açai palm, with a knife in hand, and cuts down the branches full of ripe fruits (Figure 5.1). The next step is called 'debulha', and is traditionally done by women. It involves picking the berries from the cut branches, and putting them in the straw baskets ('basquetas', or 'paneiros' usually woven from the juriti palm by women in the low season) or, in some cases, plastic buckets or boxes. This usually happens at dawn, so the product can be quickly passed to the next link in the chain because it is highly perishable.

Women play an important role in the trade for the 'debulha', though they seldom handle any of the money. Many of them also climb trees and pick berries. Interestingly, none of the women who were interviewed said they did work – in a

machista society such as the Ribeirinho society, not working is a question of honor. When encouraged, however, they then relate that they carry out a long list of activities, both agricultural and domestic, which sustain the household, such as caring for chickens, and tending to the shrimp nets, while also cooking, cleaning, and making manioc flour (a very painstaking activity). Were it not for the government's social programs, who aim to deposit money directly in their bank accounts, women would be entirely excluded from any of the family's earnings, and remain entirely dependent on men to meet their and their children's needs.



**Figure 5.1** A Ribeirinho picks açai berries from a palm in Currálinho. (Photo courtesy of Rogerio Assis.)

Latest estimates from Conab put the production cost at R\$ 1.40 /kg, whereas sale prices are currently R\$ 2.50/kg. Nearly 70% of costs are related to labor for extraction. Another study, by SEBRAE (Serviço Brasileiro de Apoio às Micro e Pequenas Empresas – Brazilian service of assistance to micro and small enterprises), in the same Abaetetuba region, has estimated the production cost at around R\$ 5/lata (a lata is a can of about 14 kg). Average sales values for the year were approximately R\$ 15,00/lata earning the Ribeirinhos a 300% profit (Interview 2). Production costs are very low at the base of the chain since the palms are naturally occurring and labor is often from smallholders and their families. There are no costs involved in acquiring seeds, or any agricultural inputs. Ribeirinhos manage their own açai berry fields. They clear out competing species of plants, prune trees and eliminate older specimens because the trunk contains marketable heart of palm. Occasionally, they hire in outside labor, depending on the size of the family unit (hiring assistance perhaps once every three years). Such hired laborers are called



'peconheiros', to help them pick the fruit, if they cannot manage on their own. Each person can pick an average of 10 latas 140kg) of açaí a day. In many cases the exodus of people from the area has shortened labor supply and as a consequence this has greatly increased demand for laborers who have had their wages increased. Day rates can vary from around R\$ 30,00 to R\$ 80,00, depending on the region and the time of year. Day laborers can also often work as 'meieiros' (share-croppers), giving the landowner half of their crop, and keeping the other half. Many Ribeirinhos will work as day laborers in each other's properties, virtually cancelling out costs and keeping them internally within the community. According to Conab (Brazil's national supply company), prices are lower in more remote regions, both in terms of labor costs (lower wages) and sales prices (smaller markets).

There are non-monetized costs of dedicating oneself to picking fruit and these can have an impact on others. Ribeirinho livelihoods are diverse and vulnerable. If too much time is spent on one activity to the detriment of others, for example if too much time is spent on açaí, instead of on a manioc plantation, there is a significant risk to a sustainable lifestyle. It is important to consider that the açaí berry is seasonal and available in marketable quantities for at best five months of the year, usually from June to November. The rest of the year, Ribeirinhos receive income, mostly from government programs, and often rely on their subsistence activities to ensure their food supply. This was verified in all research sites by the families who were interviewed. There is some money to be made from fishing, and logging. The extraction of açaí heart of palm was once an important source of income, but since the açaí boom, only older palms are cut for management of fields, because it has become less important. Subsistence activities vary across regions, but can include manioc crops, fishing, shrimp and chicken farming.

There are many ways that Ribeirinho populations can trade the picked açaí berries. If they are relatively close to a market, have a boat, and sufficient açaí to sell, they will often choose to go to market themselves. Implicitly there is a choice in their use of time, not only in transport, but also in keeping abreast of price fluctuations in different markets. Ribeirinhos were interviewed in all locations (even those fairly close to markets) and it was found that they will often prefer to relinquish some of their earnings to a local middleman, so that they can focus on other activities. They may also choose to hire someone to merely transport the product to market or to a trader at a cost of approximately R\$ 1,50 per lata (i.e. per 14 kg can). They also often wait for middlemen to pass by their houses on the riverside and sell their açaí directly to them.

Often, communities gather all their harvest in one place, usually the home of a more prosperous community member, with a dock where bigger boats can stop, for Marreteiros to come by and collect it in larger quantities. This is the most common arrangement. Ribeirinhos mostly report that they are unwilling to spend too much of their time managing the commercial aspects of the açaí trade, and do not wish to

take up the risks involved in it, such as being unable to sell their product and dealing with defaulting clients. In addition, the arrival of mobile phones has allowed them to become aware of daily price fluctuations, greatly reducing middlemen's ability to exploit them. This is why they often prefer trading with middlemen, rather than going to market themselves (Interviews 12, 13, 23, 29, 30, 31).

Pricing for berries that generates income received by Ribeirinhos, at the bottom of the chain, can vary a great deal. Proximity to market, and the ability to find new trade pathways, greatly influences their ability to negotiate prices with middlemen. In each season, there are great fluctuations due to changes in the supply. In Currálinho, where they are far removed from markets, and rely solely on the boats that take their production to a single factory (Sambazon) they reported selling their crop mainly for R\$ 5,00/lata, although they can sometimes get between R\$ 15,00 to R\$ 20,00 when the season ebbs. In Limoeiro, in the Abaetetuba region, where there is ample competition for their product, prices for Ribeirinhos are much higher, closer to R\$ 15 to R\$ 20 on average, and can be much higher when there is little product availability (sometimes rising up to R\$ 100,00/lata). In a study that is often cited, The Economic Institute for Development and Environment of the State of Pará (IDESP) states that Ribeirinho earnings average R\$ 10/lata. Conab estimates the price at R\$ 35,00/lata, but this quote relates to the low season, when product is very scarce and prices are considerable higher. Overall, considering they usually extract around 20 latas/week, average earnings are around R\$ 900,00 /month, which is, more or less, the minimum wage in Brazil. In the last two years, prices have reportedly skyrocketed, due to a poor harvest, but also through pressure by Ribeirinhos, who have refused to pick the berries unless better prices are offered.

#### **5.4 Embeddedness and Factors That Influence the Açáí Chain Configuration**

There are several key influencing factors for the chain, these are: the geographic dispersion of the production area; the historical isolation of Ribeirinho communities and its sociocultural impact; and the absence of State intervention. Social programs at the base of the chain, and rising urbanization, have also had a profound impact on how the chain works. The factors involved are: supplying additional income and providing tenure security to Ribeirinhos; mobile-phone technology becoming a key tool in price formation; changing traditionally oppressive social relations, and creating big urban markets as people move from the interior to the cities. The concept of 'embeddedness' is thus instrumental to understanding how chain actors behave and how different upgrading strategies fare.

Territorial embeddedness is particularly relevant in this scenario. The açáí is a native fruit, and its consumption is deeply tied to the local culture of the Ribeirinho

population. Its extraction and trade are tied to the region's topography and climate, its waterways and riverbanks. The plant grows on drenched soil along meandering river channels and is flooded in water for half the year. The counter clockwise shift in patterns of rainfall controls the harvest season and mandates prices. The isolation of the State of Pará has formed a very specific socio-cultural context, which binds the rationality of the behavior not only of network actors, but also interactions of institutions with the chain over a vast area.

The proximity to trade routes and relative proximity to processing plants within large urban centres play a key role in determining developmental outcomes of chain inclusion. For example, in Marajó, the communities visited around Curralinho and Breves are relatively well connected to trading routes and, therefore, have enough market access to evade malpractice. However, several interviewees report that in more-isolated communities, abuses are still all too common, with many Ribeirinhos trading their product in kind (a system of barter) for a kilo of sugar, or a chicken. With poor logistics to navigate the tremendously long waterways, many Ribeirinhos have a hard time reaping the benefits of chain inclusion, and yet the potential production volume cannot satisfy market demand.

The long physical distance by boat, coupled with the perishability of the fruits means there are tremendous challenges shared by all those involved. These difficulties present themselves in different ways with different outcomes and are the central challenges faced by chain actors. Although there are an estimated 15 million people living in the Brazilian Amazon basin, many of them Ribeirinhos, they are mostly ignored in the collective mind. Stereotypically, we know of colorful indigenous populations (colloquially known as 'Indian tribes'), and what are often thought of as exploitative farmers and miners that damage natural ecosystems in the Amazonian rainforests, but we have little in-depth knowledge of these people, their culture, or way of life.

It is perhaps not until Chico Mendes (1944-1988), an environmentalist who prominently defended the rubber tappers brought attention to the fact that the Amazon forest was not devoid of a population. The Ribeirinho has, however, remained mostly excluded from society, both culturally and economically, living in extreme poverty for generations. It is only with the current açai boom, and the creation of social programs aimed at eradicating extreme poverty in Brazil that they have seen a change in their living standards. For Ribeirinhos, inclusion into Brazilian society, and its cash economy, is relatively recent, coming not only from the açai boom, but also the federal social programs that have been created in the last fifteen years. These people arrived here mostly at the turn of the 20th century, to work the rubber farms that marked the pinnacle of Pará's wealth and importance in the World (Brondizio, 2008). Once the rubber boom declined, they settled into subsistence livelihoods along the waterways, while also working for the local landowners in cattle ranches and sawmills. They adopted some subsistence technology from the local

indigenous population such as fishing; growing cassava and milling it for manioc flour; hunting; selling wood; and picking and pulping açai berries.

This population had no land titles, practically no social standing and most of them did not even have birth certificates. Living in almost complete isolation, and often submitted to the will of the landowners, they were the invisible inhabitants of the world-famous Amazon forest, the 'lungs of the world', or whatever fashionable metaphor the Green community would care to promote (Brondizio, 2008). The juice of the açai fruit, mixed with manioc flour, and whatever fish and game they could get, and remains, the basis of their diet. Although açai berry is their main source of income, their other activities are key to ensuring secure food supply. The extraction of the açai palm is part of a suite of activities that make up the Ribeirinho's subsistence-based livelihood, which in turn reflects the rich biodiversity around them (Brondizio, 2008).

Though there are levels of variation between regions (variables such as proximity to markets, and the possibility of growing cassava on dry land), This population earns additional income from building and carpentry, or work in neighboring farms. Despite this, the government has increasingly cracked down on illegal logging. The process of urbanization means a solid demand has been created, and the açai has, in the last ten years or so, become their main source of income, and visibly improved local revenues. This can be illustrated by this population now having their own satellite television and mobile phones.

The diversity of activities that make up the Ribeirinho livelihood would explain why most of the interviewees from this population were reluctant to increase the proportion of their time spent on açai, for example by trying to take their own crops to market. Although açai berry is their main source of income during the harvest season, other non-cash activities are just as important. Additionally, because the açai only provides an income for a few months of the year, it could never truly become a full-time occupation. All of the Ribeirinho families who were interviewed reported surviving on a suite of activities. For example, some rear chickens, others spend more time fishing, and the existence of manioc (cassava) plantations is dependent on the availability of dry land (interviews 10 to 13, 34 to 46, 47)

The creation of government social programs aimed at low-income families or forest-dwellers has had a dramatic impact on livelihoods of the Ribeirinho people. Brazil is now a country that systematically works to redress inequalities, and has seen tremendous reductions in extreme poverty rates. For the first time in history, Ribeirinhos, who were amongst the poorest people in Brazil, no longer face extreme shortage of food. Due to transfers made directly from the federal government to municipal authorities, they have access to basic health services (although these are still far from exemplary), and schooling (including boat transfers for pupils) for their

children. This is a great paradigm shift for what was once a forgotten and oppressed population.

The overwhelming majority of family units now receive somewhere between R\$ 120,00 and R\$ 300,00 monthly as a welfare benefit, depending on the number of people in each household (typically somewhere around US\$ 40,00 a month), as reported during interviews (Interviews 10 to 13, 36 to 46). Though this is not much money, but it is sufficient to ensure that they no longer go hungry, and can afford to buy basic consumer goods. Additionally, they have also, in many cases, received stable land-tenure documents from the federal government. These documents make them eligible for several other benefit programs, such as those promoted by the National Institute for Colonization and Agricultural Reform (INCRA) for fishermen colonies, which aim to halt overfishing in the spawning season, and give populations a yearly allowance to not fish during that period (interview 47). Tenure security also encourages investments, such as crop management and pruning, which greatly increases açai production. These interventions have proven an important part of a support process that upgrades and ensures the chain development has positive income-generating outcomes at the base.

Another important programmed has been the Bolsa Verde, a government cash transfer programmed similar to Bolsa Familia, designed to stimulate conservation and diminish poverty for people living in conservation areas.

Those recruited in fishing colonies also receive the Seguro Defesa for half the year to encourage preservation of fish stocks. They are eligible for rural pensions, and receive new homes from a federal government programmed. These state programs have substantially increased the amount of income available to riverine populations, and have had a significant impact on the reduction of rural poverty. All of the interviewed Ribeirinhos received at least one of these benefits, with many receiving a combination (interviews 10 to 13, 34 to 46, 49).

Cash injections from government programs have caused local economies to flourish and urban markets are booming. People who had moved away are returning. Local commerce is thriving, with people buying boats, clothes, mobile phones, generators, and household appliances. In turn, the local market for the açai berry has grown, and demand for cash to buy consumer goods has driven Ribeirinhos towards cash crops. The State of Pará is rapidly becoming urbanized and, as a consequence, there are fewer people to pick the berries, and yet more people to consume them in cities. Repeatedly, interviewees claimed urbanization was the key factor behind the local açai boom (although the national and international markets, which absorb nearly 40% of production, certainly have a large role to play). In fact, studies show that as small cities boom, ties between rural and urban livelihoods intensify, increasing the açai trade (Padoch et. al., 2008). This finding is in line with much existing literature on NTFPs, which show that a thriving local market is a very good stabilizer of Non-Timber Forest Product (NTFP) trade.

However, a practical direct government presence remains sparse. The Ribeirinho communities receive little to no technical support to develop income-generating activities and this is not conducive to creating the type of independent, economically ascendant class that potentially could result from inclusion. According to interviewees in Marajó, agricultural technicians, and other state-led support-services visit, but this is about once a decade (interviews 29, 30). Despite the availability of financing for small-scale farming activities through the National Program for Strengthening of Family Farming PRONAF program, the money is spent on day-to-day activities rather than becoming an investment. The programs that exist do not necessarily consider the specificities of their livelihoods, the natural setting or specific desires and needs especially in relation to the diversity of their livelihood pattern. This lack of technical support leads specialists such as Dr. Cordeiro, at the University of Pará, to affirm that with enough technical support, açai production could still grow exponentially (interview 53).

The trade in açai, coupled with these government programs, has nonetheless changed the circumstances of the region, and dramatically improved living standards. It is estimated that the average family unit picks around twenty 14 kg cans (latas) of açai berries a week, which they sell for anything between R\$ 5 to R\$ 30 each, depending on the season, and their proximity to market (interviews 10 to 13, 29 to 32). This injection of cash, the combination of açai income and social programs, in regions where livelihoods were subsistence-based has had a visible impact. For example, my observations were that homes now have generators, televisions, and mobile phones, amongst other 'modern' comforts. It is noticeable that hunger is a problem consigned to the past. Children now talk about fashion, listen to trendy music and people communicate through their mobile phones. Most importantly it is noticeable that attitudes have changed with the development of the açai trade.

Changes in the social standing of the Ribeirinho have been important in the development of the açai chain, and this reflects a shift in the societal embeddedness of these actors. This population appears to be no longer at risk of going hungry, has secure land tenure, no longer needs to work for a landowner, or cut wood illegally to make a living. Crackdowns by environmental authorities have also dissuaded many from logging, although it is still common. With a safety net in place, and a newfound sense of independence and security, Ribeirinhos are more likely to work on their plot of land, managing their açai trees to extract better yields. Land tenure has also ensured that they can safely manage their fields, and do not have to worry about landowners taking a significant proportion of their earnings as they once did. This corroborates the strong bond found in the literature between tenure security and successful NTFP enterprises (Neumann 2000).

For the Ribeirinhos, who have, in the past, lived an excluded and marginalized existence, entering as independent agents into a value chain is already a big step towards a productive form of inclusion in society. Most of them, who are barely literate, and, in most cases, have had very little access to the outside world and little to no work or business experience. They lead very different lives, with very different values and parameters than those of consumerist, capitalist Western society. Yet they enter into these transactions as independent agents, and have access to the cash economy, finally being able to afford televisions and antennas, which bring them sense of connection and belonging that they seem to cherish deeply. Things are nonetheless changing quickly, and younger generations are increasingly educated and aware of the world around them.

A new culture is taking shape, with its specific fashions and music. As Ribeirinhos acquire the tools of contemporary society, they are slowly emerging as a culturally specific force (as recognized in interviews conducted in Limoeiro and Marajó). A group of teenagers interviewed in Limoeiro talked at length about their tastes, their designer jeans, their music (a mix of local rhythms and Balearic electronica) and their changing social norms. All of them are in school, and have hopes of a better future (interviews 10 to 13, 90). We see clearly a contemporary, thriving local culture that forms in a unique and rich configuration at the fringes between traditional Ribeirinho communities and new urban influences. Children have access to the internet, and resignifying global trends in their unique way, much as other children across the globe. Unfortunately, none of this vibrancy is acknowledged or celebrated as part of the identity of the açaí harvesters' culture, as discussed below.

Despite this increased proximity between cultural realities, several actors involved in the chain, particularly in NGOs and other support institutions such as SEBRAE, define 'cultural differences' as the key difficulty in 'professionalizing' Ribeirinhos, and helping them improve production and gains (interviews 2, 5, 11, 14, 48). The type of cultural difference mentioned by these was easily verifiable during the research. Ribeirinhos did not keep records of their transactions, and did not engage in any form of financial planning. Their reality and way of engaging with their activities (their societal embeddedness) is very different from what Western economic actors expect. Out of all the Ribeirinhos interviewed, only one ever kept records of how much he had sold and at what prices over that last year.

It is apparent that accounts were not kept to see how much income had been derived from this activity over the last year. For people who have grown accustomed to living day-by-day, this sort of exercise seems futile. None of the Ribeirinhos interviewed had a clear idea of where that money went, or were ever able to manage it to save any of it, or plan their expenses (interviews 41 to 46). Their inclusion seems to be occurring within their own pace, and according to their own capacity and interests. Attempts to steer this process into something that outside forces would find 'professional' seem to have a hard time taking root.

It could be speculated that the geographical isolation, 'invisibility', submission to patronage relations over decades, and social exclusion may have contributed to creating, in the sampled Ribeirinho communities, a highly individualistic disposition. Although population growth has seen the size of communities grow substantially it can be observed that they still live in extended family units and are at a relative distance from other communities. They do not identify as a whole community that take decisions together, or pools resources to invest and grow. Everything is done at the household level and there is little or no common planning at the community level. For example, in one community in Marajó, a senior member of a community had taken a training course in the Amazon's Permaculture Institute, and learned how to make chicken feed from açai seeds and leftover shrimp husks. Everyone in the community, or almost everyone, keeps chickens, and spends a great deal of money buying corn and other feed. The machine to make the feed costs R\$ 7000, which would amount to about R\$ 70 per capita in a community of 100 individuals. This money could be easily gathered collectively from açai sales, social programs, and small government-sponsored agricultural loans, such as PRONAF.

However, this type of cooperative action had never occurred to the community, who simply are not in the habit of doing things collectively. Other such examples were commonly encountered throughout the fieldwork. During the research, a meeting was attended, which brought together leaders from all the Marajó Ribeirinho associations, to prepare for a national summit of social movements. It was clear at this meeting that these leaders had difficulty articulating complaints, coming together to discuss a course of action, or even grasping what the meeting they were attending represented. They did not seem able to agree, amongst themselves, what kind of demands they would have to make, or what solutions were necessary to improve the livelihoods of their communities. Without the coaxing and support of local NGO workers, they would not have been able to resolve anything at the meeting. They simply do not seem accustomed to working together, or making decisions in this way.

This lack of collective action may have been further exacerbated by their recent inclusion in the cash economy. For example, in the past people would work in each other's manioc plantations and exchange favors whereas today they pay each other for a day's labor. In this context, the setting up of cooperatives or even of trade associations has failed to truly take hold. Ribeirinhos are not inclined to take part, and when an organization steps in to form a cooperative or association, it is more often not managed by those that are better off, quickly becomes corrupted by the richer members of the community, who have the capacity and spare time to invest, a common conception, if not always divulged, about all the associations that have been set up in the communities visited during fieldwork. In this context, inclusion into the more 'professional', cash-based value chain that follows on from the community level has been conditioned to the existence of middlemen who can deal with these



cultural discrepancies. Middlemen in the chain provide are networked, and enable the crossover from the local to a capitalist market reality as essential scale-crossing brokers. This is explored further in the next chapter.

The relative isolation of Ribeirinho communities and their tendency to live out their lives in one place also makes them particularly wary of their reputation. Local gossip serves as a powerful regulator of behavior. Local middlemen are wary of jeopardizing their reputation and being shunned by their local community. This often discourages them from taking too high a profit margin from their neighbors when conducting trade. These tight social bonds provide network embeddedness at the base of the network.

In Ribeirinho communities, there is little cooperation, but social cohesion is key to making sure that thefts are kept low, although it is not entirely uncommon for people to arrive and see their trees picked bare by thieves. They also rely on each other for labor, when they are managing their fields, and can also often offer an assortment of crops to send to a Marreteiro (local middleman) in the boat of a friend or neighbor. Although this appears to be a minimal intervention, this support system enables them to keep trading. In this way, local relationships serve as the basis for the formation of bonds of trust that ensure security in chain transactions. Local people are wary of being cheated, as they so often have been, and trading with a neighbor is a good way to curtail abuses. People keep track of each other's activities in the secluded waters, and abuses are rather easy to spot. This closeness keeps the chain cohesive at this level, in the absence of any official enforcement mechanism.

## 5.5 Capturing value

The explosion in demand for the açai berry has driven up prices dramatically and been the most important mode of increased value capture by Ribeirinho communities, and the driver, along with other social programs, of significant regional development. Market pull has re-shaped social relations and dramatically improved livelihoods. Three different strategies are the most common: first by moving from pure extractivism to managed açai fields through attempting to cut out Marreteiros (or other intermediaries), and finally with product certification. The move towards management of açai palms has increased yields tremendously, though there is still space for significant improvement. The benefits to Ribeirinhos of certification are meagre at best. There have also been smaller attempts to move into new value chains, to diversify income sources.

The first strategy relating to marketization relates to increased demand and is due to most Ribeirinhos managing their açai fields. This type of strategy configures process upgrading, whereby actors improve on processes that they already perform. For the açai harvesters' culture, this involves mostly cutting down some competing

vegetation, and cutting down older trees, planting new ones, to increase productivity. In both Ribeirinhos locations, in Marajó and Abaetetuba, technicians from the State Agricultural Authority (EMATER) had once visited the region, and worked with locals, incorporating traditional knowledge, to better manage their crops. This information was then shared between neighbors and passed along to other communities. It is now standard practice for most Ribeirinhos to hire day-laborers every few years to manage their fields. They claim this does a good job of increasing production, as has been amply verified in existing research (de Azevedo and Ryohei Kato, 2007). Interviews corroborate these findings, and crop management thus appears to have effectively been a successful strategy, one that has succeeded in improving their income through greater yields and longer harvesting periods, and most importantly, one that they are able and willing to carry out independently, within the community, for many years, without major glitches (interviews 36 to 46).

With regards to moving up the value chain, the ability to cut out middlemen has been elusive. This strategy has at some point been brought to Ribeirinhos communities by outside actors, mostly NGOs. It would represent a form of functional upgrading, where actors move up a link in the chain.

Competition is relatively fierce in extracting communities near to markets, and governance patterns are relatively loose as a result, which would make functional upgrading easy to achieve. According to a local community leader, the local government also made one such attempt in Marajó, but failed dismally. According to this interview, local authorities purchased a boat and handed it to local communities, in the hope that they would bypass middlemen, trading directly with local buyers and increase their share of the profits. Along with the boat, the government arranged for a local association to sell their entire crop to a local processing plant. Ribeirinhos worked for an entire season, expecting to be paid in bulk at the end which is often the norm for factories. When the factory defaulted, the whole enterprise failed. Ribeirinhos lost an entire crop's worth of income, and never touched the boat again. The boat now is rusting away on a riverbank and the incident is recalled as a traumatic experience by those involved (interview 46).

As many Marreteiros are keen to point out, often factories default on their commitments. Marreteiros are experts at managing risks, negotiating favorable terms, and making sure they get paid, in cash or assets. Ribeirinhos do not have that trading capacity, and could not withstand the impact of the default. The role of middlemen more complex than merely transportation with boats and requires a set of market skills that isolated Ribeirinhos often lack.

The co-operative in Abaetetuba is also a relatively unsuccessful experiment in functional upgrading and has not attracted a significant amount of trade. Those interviewed within the co-operative admitted that Ribeirinhos prefer to trade on their own with Marreteiros rather than work with the cooperative. The cooperative is

unable to secure better prices or to keep up with volatile markets. According to the Ribeirinhos and staff interviewed on its premises, they had managed to convey best practices to Ribeirinhos, and prevented abusive behavior by local middlemen. It has served its purpose as an institutional force, but has not truly represented an opportunity for upgrading for local Ribeirinhos. Thus the Abaetetuba co-operative remains a marginal enterprise, whose role has become more that of an association, with some training and representation capacity. It has received several international grants, and significant NGO attention, but has failed to truly gain traction as a trading force in the local market.

Within the Abaetetuba region there are two co-operatives that do seem to function, and that have received some support from factories such as Bela laçá (the biggest factory in the State) to buy equipment and other items. This enables factories to cut out middlemen who bite into their profit-margins. Yet they only seem to survive in semi-urban environments, where actors are already acclimatized to market vicissitudes, though their total volume of trade remains marginal. There is also no clear evidence that these cooperatives do anything to improve prices for Ribeirinhos, since they do not have the bargaining power to set them (interviews 36 to 46).

There are tales of other NGO-led attempts to 'cut out the middleman' in the region, all of which seem to have failed over time. One of the possible reasons for these failures is that NGO cash and management capacity stopped. Marreteiros simply seem better equipped to play their role than these artificially formed entities can be. Ribeirinhos seldom have the capacity, or will, to manage the vicissitudes of trade on their own. Many of them have lived in near-complete isolation all their lives. They are often illiterate, and have little to no experience handling commercial relations, doing the books, and making managerial decisions.

They are also unlikely to want to pool resources and work together. When outside 'help' comes in, it is usually in the form of NGO workers, with little knowledge of the market, or business acumen. They bring enthusiasm, and funding, and as long as there is enough of both, the enterprise remains viable. But these eventually dry up, leaving in their wake the development fatigue that is so common in these failed experiments.

Most importantly, Ribeirinhos are not, according to the interviews, necessarily keen to change roles, as they are often most comfortable with living within their traditional setting and carrying out the activities to which they have become accustomed. They strive towards better conditions for themselves and their families, but cutting out the middleman of the açaí trade does not seem to be a strategy they favor. Though the formation of associations and the political organization of communities is a worthy goal and has potential to increase their visibility and defend their interests, it is thought that upgrading by eliminating the middleman does not seem a productive strategy to improve their prospects.

Cutting out middlemen is not something that they particularly aspire to because it would clash with their traditional livelihood balance and disrupt other important activities. Taking part in collective activities and NGO-led experiments also takes them away from the suite of activities that sustain their livelihoods, and could be potentially dangerous. Those who do tend to get involved in these artificially formed associations and cooperatives are usually the richest members of the community, who can afford to speculate. This study has found that these are the reasons for richer community members dominating commercial enterprises and therefore defeating the sacrosanct purpose of commonly managed economic activities. This was clearly the case in Marajó.

This outside vision that Ribeirinhos need to be capacitated (trained) or they need to change their way of living to incorporate other activities to climb their way up the chain, has done little good to improve their livelihoods. It does not take into consideration the lack of formal education, market savvy and social relations that characterize Ribeirinho societies. Nor does it seem to stem from an actual desire on the part of these populations, but rather from a projection of these outside forces of what these communities should be molded into. Ribeirinho communities are keen on inclusion, and an exciting new culture is in formation at the junction between traditional livelihoods and the modern behemoth. This is a process that is occurring organically, at its own pace, and with its own traits and quirks. These people are for the first time in charge of constructing an identity to communicate with the rest of the world, and it seems they will do it on their own terms. They are certainly still very much in need of assistance, but they do not need to be told who they should be. Development projects or State interventions that seek to improve their livelihoods must begin by listening to what they express as their needs and desires, and empower them to make their own choices.

Another important upgrading strategy is organic certification. This is a form of product upgrading, where new technologies or procedures create an improved, and more valuable, version of the same produce. Of course, in the case of açaí, this is more a bureaucratic procedure than an actual change in agricultural practice or produce improvement. Because it is naturally occurring, practically all açaí is grown with very little human intervention, and thus by definition it is organic. In practice, a specific factory usually obtains certification to tap into export markets. It then goes on to certify its suppliers, the Ribeirinhos. They are registered as organic suppliers, and receive some security/sanitary equipment (plastic sheets for picking the fruits, so they do not drop to the forest floor, and boots). This equipment, according to interviewed communities, is seldom used, and there is practically no verification protocol (interviews 20 to 24, and 36 to 46). Although factories do receive a bonus for selling organic produce, this is not the case for the Ribeirinhos, according to the factories themselves (interviews 4, 8, 9).

Those who do manage to get certified sell at the same price as everyone else, the daily going rate. What could be considered an advantage is that when an organic order is available, they have preference over those who are not certified. But there are so many different forms for Ribeirinhos in more productive regions to sell their crops that it makes very little difference to them. Many actors involved in the chains also claimed that processing plants are known to mix up products from all their suppliers, and only keep books for eventual audits. Thus, organic certification is a more productive upgrading strategy for processing companies than it is for Ribeirinhos, although it is viewed by consumer markets as a way of 'giving back' to those Ribeirinhos communities. They do not gain much from going along, or really even understand what organic means in this context (as became clear in the interviews).

In interviews, most Ribeirinhos expressed that they were keen to continue to increase their yields and to continue to diversify into other activities. Because their livelihood patterns are traditionally diverse, and picking açai does not take up all of their time (especially when not in season), it makes sense to try other things. This type of strategy is a form of chain upgrading, where actors diversify and move into new value chains. For Ribeirinhos, if another activity could provide income during the low season, their livelihoods would become much more predictable and secure. There is a vast amount of other exotic fruits and oils that could be better exploited commercially. Proper management of forests could also enable trading in sustainable harvest timber. Ribeirinhos are interested in fish farming and most of them already keep small livestock.

Creating alternative sources of income would allow them to buffer against the risks of having only one significant income source that only exists during few months of the year. Already, where the land is not too soaked, Ribeirinhos have manioc plantations. They also fish regularly. Sometimes these activities are for subsistence only, but many communities trade fish or shrimp, as well as manioc flour. They are also keen to experiment with fish farms, and raise livestock (interviews 10 to 13, 34 to 46, 48). There is also a wide abundance of exotic, and highly nutritive, fruits, much like the açai, which are not, or barely, exploited commercially. The diversification into mixed agroforestry uses would also be a bounty for biodiversity conservation, allowing a variety of species to coexist productively in their native milieu. But at present only açai provides significant income.

There have been several experiments with fish farms in Marajó, with some support from public authorities. This support is unfortunately so sporadic that many of these initiatives have failed. Yet there are reports, where sustained technical assistance was given, of considerable success. Near Breves, a local Ribeirinho went on to get a degree in agricultural sciences and has been driving a successful fish farm experiment in his community, while managing to harness support from EMATER. EMATER, the State authority is meant to provide this type of technical assistance,

but is extremely overstretched, and is unable to work consistently with communities to develop these new and complementary forms of income.

The federal government provides easily accessible credit for small-scale agricultural project, but with no assistance on the ground. Ribeirinhos are unable to use the cash for much more than to ease their day-to-day cash flow problems. Once more, the isolation of communities and their relative abandonment by the authorities of the State of Pará restricts these potential complementary activities. Nonetheless, this seems to be the preferred route of the Ribeirinhos populations that were interviewed. It would help them maintain steady income when the açaí is not in season, and allow them to continue to live traditionally (Gámez, 2015).

There is one notable success story of agroforestry diversification in the State of Pará. The Japanese cooperative in Tomé Açu, CAMTA<sup>18</sup>, a pioneer in the açaí trade, has such a business model, and trades frozen pulps of many Amazonian fruits, keeping their income diversified and their plants rolling year-round. After arriving in the interior of Pará from Japan in the early 20th century, with a few black pepper seedlings, they went on to become the biggest producers of black pepper in the World. After a plague destroyed their harvest, they later moved on to passion fruit. But they began overproducing, and then went bankrupt. It was only then that one of the cooperative's leaders decided to learn from Ribeirinho livelihoods, and work on implementing a diverse, mixed agroforestry system, which includes many local fruits.

Now they guard against plagues and market fluctuations, while supplying the region and foreign markets with a notable variety of native fruit pulps. In fact, when the first foreign entrepreneurs arrived to buy açaí pulp for export, it was at CAMTA that they found the necessary conditions to begin trading. Currently, they receive technical visits from universities, and even the World Agroforestry Centre (ICRAF), to attempt to study and reproduce their successful model. Coincidentally, it was this Japanese community that brought martial arts to the State of Pará, and thanks to whom the Gracie clan gained access to these sports (interview 7), as described in Chapter 7.

The CAMTA cooperative has not only diversified its crops, it has managed to become a processing plant as well, and thus has much greater control over the production process than Ribeirinhos could have. Additionally, they have a very particular cultural history, a specific 'societal embeddedness' that makes them very different from Ribeirinhos. They arrived in Brazil together as a Japanese community, with a strong cultural identity and high levels of literacy, and have stuck together since. They have always worked together, and pooled resources and sold their production in bulk together. They have sent their children to college to study agroforestry, and invested to grow their businesses. It is part of their cultural heritage

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<sup>18</sup> <http://www.camta.com.br/index.php/pt/>

to work in this way. It is interesting, however, that the key to their success was their ability to observe the diversity of Ribeirinho livelihoods. There are many key elements of CAMTA's success absent from the Ribeirinho cultural context and they have no history of working together, or forming associations. Many are illiterate, accustomed to relations of patronage, and have a hard time negotiating the reality outside their riverbanks. Nonetheless, perhaps with adequate technical support, and the stimulation of demand, Ribeirinhos could use the existing trade pathways set up for açaí to trade other products, even if individually, and diversify their sources of income throughout the year. At CAMTA diversified models can, indeed, work.

A widening of the scope of policies aimed at supporting these livelihoods, to create demand in consumer markets and engage corporate actors, through participation in fairs, marketing activities and 'place branding' could help ensure commercial viability. If this happened then with market intelligence and brand prominence in place, using açaí and its established place in markets as an anchor, can experiments in trading and growing other ingredients would begin to grow. Ultimately, it is proposed that policy-makers contemplate simultaneous interventions throughout the chain. They could do this by scoping and listening to communities about their desired livelihood strategies, using market intelligence and commercial networks in order to arrive at viable solutions. Investing in actors further down the value chain, to involve entrepreneurs that could broker between realities and create space for new products could prove as beneficial to communities as local action. As te Velde tells us, not all captivity in the value chain creates abuse. Often entrepreneurs take the risks, and provide the coordination of the chain that opens and maintains new trading pathways (te Velde, 2006).

Another form of upgrading at the base of the chain is the transition to monoculture (also a form of process upgrading). This is often the case with successful NTFP products (Homma, 2002). Açaí prices have skyrocketed, and continue to rise consistently, as demand continues to grow. Though this has represented a tremendous bounty for Ribeirinho populations, without a considerable increase in production, the chain remains suffocated, in a way. Thus, increasing overall yields is a key preoccupation for all those involved. Though this would move açaí further towards the agricultural commodity spectrum, away from the pure NTFP standard, it would arguably remain a socio-environmental win-win product, depending on the production model applied. EMBRAPA, the National Agricultural Research Institute, is working towards an entirely different production model.

EMBRAPA is working on developing large-scale, monoculture açaí fields, with artificial irrigation and fertilizers. This new technique could yield two harvests a year, rather than one as a result of irrigation, and allow factories to run all year. It would also cut out many of the variables involved with the current model, such as dispersed production, uneven quality, and difficult logistics. Mostly, it would definitively cement

the end of the extractivist/semi-extractivist mode of production, with Ribeirinhos at the center. Instead, production would move to large properties, controlled by large land-owners, and rely on hired labor. The Ribeirinho is not seen as an active, intelligent 'forest farmer', a manager of resources that can be valued and worked with. Rather, they are considered a liability, responsible for the 'inelasticity' of supply that dwarves the chain (interviews 2 and 3).

Currently there is an experiment in place in Santarém, where an entrepreneurial family from the South of Brazil has planted 2000 hectares of irrigated and artificially fertilized açai monoculture. This is a radical illustration of process-upgrade in the chain. It could change the face of the market forever. Its owner estimates that they have invested some R\$ 50 million in the operation. This is a highly professional operation, with technicians, monitoring programs, and machinery. Santarém is very far removed from the producing regions; it is mostly dry; degraded pasture land from old deforestation for cattle ranching. To process their production, the owners are also investing in their own processing plant, which will make frozen pulp. This is a completely different operational set-up from the forests and riverbanks where Ribeirinhos extract the açai.

What is interesting here is that this monoculture also upgrades the chain in the processing of its own fruits, trading pulp directly with clients (process upgrading). This is an entirely new production model, where producer and processor are a single entity, much different from the dispersed and loosely governed model seen in the traditional extraction chain.

The head of the operation, when interviewed, was convinced that this was the only way to ensure steady supply to industries, and increase the açai market (interview 16). Furthermore, he was convinced that he would get higher yields at low costs with this optimized system, which also includes mechanized harvesting. When questioned about the exclusion of Ribeirinhos from production, he claimed to be creating stable, well-paid jobs at his facility while investing in the social welfare of the population by building schools, and guaranteeing healthcare. He was also confident of the positive environmental impact of his endeavor since he was respecting the 20% plantation to 80% forest ratio imposed by federal legislation. He also repeated, much as EMBRAPA technicians and government officials had before him, that the market should be sufficient enough for both production models. The monocultures would supply industrial buyers, while Ribeirinhos would still have local markets, and local contracts with municipal authorities to supply schools and hospitals. Eventually, if this model were followed, the Homma (2002) prophecy, whereby all NTFPs that 'succeed' end up as monocultures, would be once more fulfilled (interview 3).

Homma, an influential researcher into NTFPs in Brazil, posits that all NTFPs that become successful will eventually progress from extractivism into monocultures, to sustain increasing demand (Homma, 2002). Undoubtedly, when large volumes of



product are required for markets it is possible that monocultures will be able to meet demand. Unless a market identity for NTFPs and their gatherers is created ingrained into consumer markets, the Homma hypothesis might be an inevitability. NTFP gatherers are seen as the foragers of Europe, as keepers of valuable cultural traditions, that create a unique subjective value in products. If this is done convincingly, there might be a niche for NTFPs as opposed to monoculture operations.

Large-scale monoculture initiatives such as this one have many critics, particularly from Professor Cordeiro, an academic with the most expertise about açai value chains in Pará, and the author of many of the most complete studies on the topic. He explains that better crop management in existing small production units, and improved logistics (investments in solar-powered, refrigerated boats) could dramatically ease current bottlenecks, while keeping Ribeirinhos in the loop, as key actors in the chain, and increasing social returns from the chain (de Santana, 2013).

Working with Ribeirinhos would also sustain the açai's role as an eco-social win-win situation, keeping riverbanks protected and local populations employed without any disruption to their traditional livelihoods. The development and up-scaling of a mixed production model, with açai and other forest commodities, such as that currently used by CAMTA, could keep Ribeirinhos in the loop, while greatly increasing yields. The improvement of transport infrastructure would also increase the available reach of Marreteiros, and allow more distant regions to supply markets (interview 53). Thus, for Cordeiro, other avenues are possible to resolve the 'demand crunch', rather than an inexorable progression towards the monoculture model that Homma (2002) claims to be unavoidable.

Ultimately, what is the value chain for? We can see here the regions' societal embeddedness at play, the cultural dimensions of trade that are the object of 'cultural turn' questioning in the GPN literature. Local businessmen, even government and research institutes, have little interest in these eco-social benefits, and are more interested in increasing profits. They believe the Ribeirinhos can have the small local markets, or government contracts to supply schools and hospitals (Brondizio, 2004). It is particularly notable to see EMBRAPA, a State-owned agricultural research facility, geared towards a monoculture model, without a second thought towards the development its potential impact. During the interview with EMPRAPA's key açai technician, it was clear that although their strains could potentially be used in mixed systems and small-scale properties, other facets were not contemplated in research design and implementation. EMBRAPA's history is one of supporting Brazilian agriculture into high levels of productivity, and it is staffed with engineers and agronomical scientists.

Little thought has been given to how Ribeirinhos could be part of policies to improve the chain and reap some benefits from these genetic improvements. One might

contend that rural exodus is unavoidable, and that a mechanized production system in the country that would stimulate job creation in growing processing plants in the city would have a better development potential than the current model. Yet the actors interviewed did not express any of these preoccupations or much worry about the poverty reduction potential of this strategy over another.

## 5.7 Conclusion

In analyzing interviews with local actors using the concept of 'embeddedness' as an organizing principle enabled the identification of key factors that have allowed the value chain to take shape, and how its development potential could be improved. Key findings were grouped by theme, as detailed in Table 5.1 below.

The açai boom has, indisputably, resulted in a tremendous improvement in the standard of living of the Ribeirinhos of the State of Pará. All Ribeirinho interviewees agree about that, but the presence of television sets, mobile phones, and most importantly healthy children at the visited communities is undeniable proof. For these people, trading açai allows them to stay in their communities to live with dignity according to their traditional cultural pattern, while respecting the nature around them. At the present time, in its current configuration, the chain works, from a developmental and environmental perspective. Despite this, Ribeirinhos still live in relative poverty, and much must still be done so they can achieve stable, dignified living standards year-round. The chain provides significant income, but Ribeirinhos struggle when the berry is not in season.

Regarding contextual factors, the existence of a strong local market for the açai berry has enabled Ribeirinhos to invest in production, providing them with sufficient market access and demand stability to invest. They need not rely on a single actor to move their product, as this is a local staple; there are often several trading routes from which to choose. This is a finding that is often seen in the NTFP literature. A strong local market allows the chain to grow organically, without sudden spikes and interruptions in demand, without overreliance on one specific trade pathway, and without difficult to achieve quality controls. Since açai is a local staple, communities can increase their productive capacity with relative certainty that they will more often than not be able to market their product.

Additionally, the existence of some, however insufficient, State support, in the form of handout programs that guarantee survival year-round, as well as improved tenure rights, has given conditions to local populations to break traditional bonds of patronage with local elites, and set out on their own. The relation with marreteiros, in comparison, represents freedom. This empowerment of Ribeirinhos has also been a key factor in the chain's ability to generate positive development outcomes across

communities. The provision of technical assistance, enabling communities to manage their plots to maximize productivity has also allowed yields to grow to match demand.

As a traditional product, with traditional extraction methods, the açai berry chain is, at its base, profoundly tied to traditional livelihood patterns, and to the geographical area where it is grown and traded. The geographical constraints, in particular, are a key determinant of the power actors have (chain governance) to shape prices, or upgrade. Proximity to market is perhaps the most important variable at this level. It determines what prices Ribeirinhos will get for their produce, and conditions the social formations and business environment at the base of the chain. Creating better logistical links, with incentives for new processing plants across the territory, would enable more people to participate in the chain on favorable terms, while increasing the overall volume of available açai for markets.

The seasonality of the açai must also be considered. The açai chain only functions for around four to five months of the year, leaving Ribeirinhos with a very irregular annual income pattern. Thankfully, the government's social programs guarantee basic needs throughout the rest of the year. This irregular pattern explains why Ribeirinhos remain attached to traditional and diverse livelihood patterns, in which a suite of activities sustains them throughout the year. Still, these other activities do not provide sufficient incomes through the year, and, without government programs, local livelihoods would remain very insecure. In this way, the existence of these programs also helps to ensure chain participation is done on favorable terms.

Understanding embeddedness helps to appreciate why certain upgrading strategies work, while others fail. The move to management of palms, something that could be done relatively easily, without altering livelihood patterns or altering the governance dynamic of the chain, has proven very successful, particularly where the State has resolved tenure rights. Whatever outside help they have received from support agencies to teach management techniques has had a multiplying effect and increased income.

Attempts to 'cut out the middlemen' have not worked. In the following chapter, the complexity of middlemen's activities is described, and the multiplicities of roles that they must play to ensure trade ('network embeddedness'), it becomes clear that pushing them out artificially to upgrade poorly prepared Ribeirinhos is unlikely to be successful strategy. After generations in complete destitution, entirely isolated from society, Ribeirinhos have created very insular cultural patterns, which, thanks to the açai chain, but also, to a great extent, to government inclusion policies, are beginning to shift. It seems that the existence of a safety net plays an important role in supporting communities in entering value chains as independent agents, as they have done in Pará.

Although communities have recently been the object of targeted interventions to relieve their poverty and to give them access to basic social services, cultural transformations take time, and evolve unpredictably (Brondizio, 2008). Ribeirinhos do not currently feel inclined to organize, to pool resources, to plan or invest, as outside development protocols would have them do. They are still relatively unaccustomed to dealing with the cash economy, to managing their budgets, or planning ahead. They have other priorities and other ways of doing things. This makes extraneous upgrading interventions, such as the formation of cooperatives or the purchasing of boats to trade directly with industrial buyers difficult to implement. Organic certification also has had no impact on local livelihoods or conservation.

Yet, the chain functions, without any significant outside intervention, and actors have found by themselves ways of organizing around territorial constraints and upgrading that sustain the chain, and improve livelihoods, while remaining true to their cultural specificities. Despite their incapacity, or unwillingness, to form co-operatives, or keep books, or take over functions offered by middlemen, these communities have shown extraordinary resourcefulness with the implementation of small-scale culture of açai berries, and sustaining an ever-increasing market. They have also taken advantage of mobile technology to harness as much value as possible and demand, and escaped from the traditional roles to become independent agents who will not easily be duped by exploitative practices and pricing. The transformations observed during research are remarkable. With basic support, such as mobile technology access, a bare minimum financial safety net, and minimal technical assistance, communities quickly respond to market cues, and can trade on relatively good terms.

Upgrading strategies that fully answers the stated needs of the Ribeirinho population would be complimentary with local embeddedness. There is a plethora of exciting fruits, fish and plants that are unknown to Western consumers that could be exploited to complement Ribeirinho activities and provide additional sources of income year-round. A diversification strategy would nonetheless require not only the supply of technical assistance at the base, but, most importantly, the formation of demand for a new, uniquely Amazonian product such as the açai.

At present, however, the local ruling elite, including the local State government, and EMBRAPA (as well as the local factory syndicate) seem more interested in completely excluding traditional populations from the brunt of the trade, leaving them with marginal local markets only. They want to follow pure market efficiency and predictability which would be incompatible with the diffuse production pattern currently in use, to use the neo-liberal jargon (irrespective of the fact that this diffuse production pattern has been working for over a decade). If experiments such as the large Santarém monoculture succeed, they may in fact completely eliminate the traditional production pattern altogether, or drive prices down enough to completely wipe out existing livelihood benefits to the Ribeirinho population (Homma, 2002). Because the marketing of the açai berry in consumer markets, as discussed in

subsequent chapters, is not tied to its sociocultural specificity, this substitution is unlikely to go unnoticed. The cultural relations, between local elites and communities, who are seen as 'backward' and anti-business, preclude investments in the production capacity of communities in the region, which, as many local experts confirm, could be entirely economically viable.

In conclusion, using the tools of Global Production Networks (GPNs), particularly the notion of 'embeddedness' (Table 5.1), helps us elucidate the 'hows' of the local chain, but also explains the reasons (the 'whys'), which are often not sufficiently clear in the NTFP literature. By asking and listening to community members (over twenty interviews in this case) it is possible to review how they see their involvement in the chain, what roles they play, and how they articulate their context. It allows us to understand why some strategies have worked, and why others have failed.

Most noticeably, the top-down desire to upgrade communities through building cooperatives to reduce transaction costs simply does not resonate with local social patterns (Table 5.1). State and non-state actors interested in promoting local development through value-chain interventions must be willing to listen to community needs and provide an enabling environment for these people to determine how they wish to navigate their inclusion into value chains, on their own terms. Whenever communities have been offered opportunities that make sense to them, however flimsy, they have quickly found a way to embrace them. Crop management technology has spread from neighbor to neighbor, with negligible State investment.

Meanwhile, the strategy that most interviewees describe as desirable forms the cornerstone of the CAMTA's business model. Diversification of income streams is perfectly in accord with how Ribeirinhos live, and would allow them to further stabilize their income throughout the year, and manage risk, such as crop failure and market fluctuation. The leader of the cooperative tells his visitors that this strategy of diversification was inspired from Ribeirinho livelihoods. What has allowed them to implement is their more favorable financial situation in that they pool resources, and show their willingness to trade directly. They have created processing capacity that would allow them to store frozen pulps of the variety of the produce that they harvest. Ribeirinhos rely on third-parties to take on this role, much as they do at present with the açaí. As described in the following chapters, this would require demand formation outside the State, by still other actors, also as can be seen in the açaí chain. In this way, some of the key drivers of value capture lie far away, in consumer markets, and must be better understood for these strategies to take hold.

While many actors argue that açaí costs must reduce to enable the market to grow, we must consider this in relation to the subjectivities about the valuation of Ribeirinho labor. If markets do not believe that part of the product's worth is derived from that labor, which has cultural value, we will continue to view Ribeirinhos as unqualified, generic labor, which must somehow be 'upgraded' to be worthy of capturing more

value. Ultimately, incomes from açaí are a great improvement, but still relatively low. As World Systems Theorists would point out, the chain has improved livelihoods, but in no way reshaped the systemic biases of distribution of value in global trade.

Table 5.1. Analytical matrix – Ribeirinhos

	<b>Territorial embeddedness</b>	<b>Societal embeddedness</b>	<b>Network embeddedness</b>
<b>Relation to chain creation</b>	<ul style="list-style-type: none"> <li>- Açai as a local staple with a strong local market, spurred by urbanization, provided stable base for chain to grow</li> <li>- Government programs encourage communities to set out on their own and focus on production</li> </ul>	<ul style="list-style-type: none"> <li>- The strong local identity of açai has meant that those who move to the cities take consumption habit with them, forming the first rungs of the local chain</li> </ul>	<ul style="list-style-type: none"> <li>- Strong local bonds have enabled actors to form trade relations that are regulated by social norms rather than State presence</li> <li>- The difficulty or unwillingness in dealing with outside realities and negotiating logistics, commerce, risk, makes communities reliant on middlemen to intermediate market relations</li> </ul>
<b>Relation to chain configuration</b>	<ul style="list-style-type: none"> <li>- Production and trade are spread out across vast territory, with boats navigating from community to community to collect product</li> <li>- Most thriving producing regions are close to areas where processing is located</li> </ul>	<ul style="list-style-type: none"> <li>Communities live in extended family groups, spread out across the territory, with little organization across groups, requiring middlemen to provide chain cohesion</li> </ul>	<ul style="list-style-type: none"> <li>The existence of local middlemen with strong community ties plays a key role in securing chain cohesion, and allows for the product to be concentrated at key collection points in each community, diminishing transaction costs</li> </ul>
<b>Relation to upgrading</b>	<ul style="list-style-type: none"> <li>- secure tenure and handouts encourage producers to manage fields to increase yields</li> <li>- small scale, spread out production leads outside actors to seek conversion to a monoculture model</li> <li>-traditionally diverse livelihoods are well matched to diversification strategies</li> </ul>	<ul style="list-style-type: none"> <li>- Local culture and lifestyles make communities unlikely to cooperate and trade as a group, or move into more managerial roles</li> <li>- Communities are unwilling to eliminate middlemen and move to trading activities, and more likely to seek other activities which fit their livelihoods</li> </ul>	<ul style="list-style-type: none"> <li>- Strategies that seek to cut out the middleman do not consider the many interlocked roles that traders play in relation to communities (more in next chapter) and tend to fail.</li> <li>- The arrival of mobile communication has given communities better market information and improved their bargaining power</li> </ul>
<b>Development outcomes</b>	<ul style="list-style-type: none"> <li>-Tremendous value capture by communities, with remarkable positive development outcomes</li> <li>- More-isolated communities unable to</li> </ul>	<ul style="list-style-type: none"> <li>- Even with historical exclusion and isolation, communities have found ways to participate in the chain on positive terms</li> </ul>	<ul style="list-style-type: none"> <li>Though middlemen are guilty of abuses, particularly in isolated communities, they have enabled trade to reach communities and allowed Ribeirinhos to trade with relative security, generating a</li> </ul>

	participate on such good terms		remarkable diffusion of income across the territory
<b>Policy lessons</b>	<ul style="list-style-type: none"> <li>- Tenure security and social safety nets are crucial enabling factors for smallholders to enter value chains on positive terms and to generate scale</li> <li>-The existence of strong local markets provides a solid foundation for chain expansion</li> <li>- Encouraging entrepreneurs to set up processing facilities across a territory can preclude the move to monoculture cultivation and spread benefits to more isolated communities</li> </ul>	<ul style="list-style-type: none"> <li>- Local communities require much more-solid inclusion policies, particularly education and political empowerment to change positions in the chain</li> <li>- Strategies that respect diversity of livelihood patterns should be encouraged</li> <li>- Overall, top to bottom policy programs that seek to 'build capacity' and disrupt local communities' cultural patterns must at least be adapted through careful consultation of local actors</li> </ul>	<ul style="list-style-type: none"> <li>- Excluding of local middlemen is not necessarily a positive strategy since they play key roles in the chain</li> <li>- Balancing bargaining power through better market information can rebalance relations and make trading more fair without disrupting trade relations</li> </ul>



## Chapter 6. FROM THE FOREST TO THE CITIES – MIDDLEMEN, BATEDORES AND FACTORIES IN PARÁ, BRAZIL

### 6.1 Introduction

The activities of the intermediary business agents ('middlemen'), local retail businesses and processing plants that make up the chain outside of extractivist communities within the State of Pará, Brazil, are discussed in this chapter. To establish the modus operandi of the chain, and its embeddedness, 23 individuals were interviewed, mostly business agents and representatives from factories, associations and government, but also 'Batedores' who process and sell the pulped berries in local markets. Middlemen play a central role in negotiating the territory to provide chain cohesion, and review existing misconceptions about the role of factories in the chain.

The brokerage provided by the Marreteiros (street vendors) has been crucial for shaping the chain (network embeddedness), as has the setting up of local food processing capacity. However, value capture at the base of the chain remains well below potential, as actors rely on açaí alone and this is highly seasonal (there are typically two major harvesting seasons at the start and end of calendar years, and a non-harvest period in the rainy season).

Due to the business environment, and the constraints of local culture, factories also find themselves unable to upgrade to more value-added functions (societal embeddedness). Actors are unable to join together to develop solutions for the problems inherent throughout the entire chain. For example, periods of non-production resulting from seasonality that needs to be factored into pricing strategies, the poor logistics infrastructure, the lack of financing or State support. Also there is a need to increase the supply of berries as demand continues to grow, generating price instability and hindering investment.

This notwithstanding, the chain resists – against challenging odds, the product reaches its destinations, supplies local markets and markets elsewhere. Rapid urbanization and economic growth, along with a tremendous growth in demand from national and international markets have created a large market for açaí, and new product opportunities and markets continue to emerge.

## 6.2 Tracing the chain from the forests to the city

Once Ribeirinhos have picked the açai berries from the palm trees, and put them into baskets, they rely on a web of traders to get them to market. These traders, ('middlemen'), or Marreteiros, as they are called locally, travel from community to community on boats, gather the baskets of fruit and take them to market, either locally, or farther afield, sometimes hundreds of miles away. They supply either batedores (who are the local processors who pulp the açai for the local market, which uses 60% of the produce) or the factories that pulp and freeze the product for the national and international market (the remaining 40%). These are crucial nodes in the chain, which enable it to project itself to other regions and countries, and they have been instrumental to the development and maintenance of the chain.

The Marreteiros maintain the chain in what are often difficult logistical conditions, taking the fresh berries to market. Those operating within local community range are typically part of the local community, and have managed to buy a boat, or have a landing stage that allows boats to dock so they can collect the harvest from the gatherers. Either they buy and resell the local production directly to a local market (if there is one), or sell to a dealer that handles greater quantities of product. The local middlemen may also charge for transport. They often have their own crops to sell as well as those of their neighbors. These middlemen also often own small goods shops, where they sell back to communities basic necessities such as coffee, or sugar. Usually, they make a small profit, usually anything from R\$ 1,50 to R\$ 2,00 per 14kg can ('lata'). Their neighbors closely monitor them and their profits, and any observable financial exploitation would make them a pariah in their community (interviews 19 to 23, 36 to 46) At a slightly higher level in the supply (and value) chain, there is a class of Marreteiros that travels from community to community. These crucial actors within the açai chain in the State of Pará. They have unique knowledge of the region's physical geography, and of the communities that live there.

The logistics of managing their work are incredibly complex. There are endless, unmapped rivers and treacherous sandbanks through which they must navigate from memory (Figure 6.1). They have to carry large amounts of cash to pay the gatherers for the product, which makes them easy targets for thieves. The highly perishable fruit, packed between layers of ice, must be crammed into small motorboats and transported quickly to market across vast expanses of water to destination. Often, they sell to traders with larger boats, who source berries from greater spatial areas, with whom they exchange merchandise and cash along the river ways, from one boat to another, without even docking.



**Figure 6.1.** Marreteiros trade açai along the river ways, from a community boat to a larger vessel. (Photo courtesy Rogerio Assis.)

As the seasons rotate, these traders must also change their routes, to source the berries, counter-clockwise, from September to January, throughout the entire estuary. They own or rent the boats, hire the staff, pay fuel costs, providing a crucial management role in supply. Many of these workers operate independently, while many others are hired by larger businesses which supply the boat and the capital for these enterprises (interviews 11,20, 25). These traders have built stable trade bonds with communities and local middlemen, often across that entire territory, based on mutual trust, which provides contractual security. There is very little governmental regulation in these regions, and the açai trade at this level is entirely informal and unregulated.

Bonds of trust are the only means of assuring any level of contractual security. Though these are easily achievable within tight-knit, isolated communities where Ribeirinhos live, they stretch out across scales when marreteiros make their rounds, encompassing many communities on their routes (interviews 11,15, 20, 25). Marreteiros, higher in the supply levels and operating on higher levels of product throughput are based in urban centres, often trading thousands of 14 kg latas per day in the high season. They negotiate prices with buyers, and regulate the volumes of produce reaching markets, to avoid over- or under-supply. In periods of market saturation, when there is too much açai, they have their boats alternate collection

dates between communities, to regulate supplies. This allows them to keep prices up in the height of the season, when there is greater abundance of product. When the supply is not sufficient, they seek it from farther afield, following the harvesting season because it moves temporally and geographically, as far as the State of Amapá, hundreds of miles away. This ensures pricing stability. Furthermore, they have built ties with buyers, either at the open-air fairs that supply local markets or directly with industrial units.

The Marreteiros regulate what product goes where, and can act as brokers between communities and the urban clients (particularly factories). They build trust at both ends by making sure that trade is not interrupted, and are essential for mediating the price formation between communities and buyers. In addition they are also responsible for ensuring the quality of traded fruits, as they receive them from community, and checking for quality before loading the produce onto the boat. They select their suppliers based on quality, thus discouraging practices such as adding branches or rotten fruit to latas to bulk up volume, which would otherwise compromise quality (interviews 19, 20, 22)

Another key function exercised by Marreteiros is ensuring the stability of financial flow. Ribeirinhos are mostly paid cash for their product; on the other hand factories can often take up to two months to pay, based on a credit system, for the product the Marreteiros deliver. Marreteiros that travel inland must self-finance, and travel with large amounts of cash to buy the crops from community middlemen. They must hold enough cash to buy the product from Ribeirinhos, and recapture their outlay later. The local market, where the buyers are individual 'batedores' (described below), pay cash, but factories seldom do, with a lag between supply and recompense from a few days to several weeks. There is no written contract to ensure that they do get paid. They rely on their collective bargaining power and their ability to 'make or break' reputations to enforce these oral contracts. In this way, they are the key credit mechanism that finances the açaí trade at this level (interviews 11,15, 20, 22).

All the risk from these practices lies with the Marreteiro. If a boat is damaged, crashes, or if the supplier is robbed (quite a common occurrence on these unpoliced waters), or if the berries rot during transportation, the Marreteiro has to bear the burden of the loss. If anyone defaults on payment, which is often the case for industrial buyers who seldom pay by cash then this has to be factored in. The Marreteiro is liable to take losses when prices fluctuate, and may be caught having paid too much for the açaí to communities. In such an entirely informal business setting, no insurance is available. These entrepreneurs calculate their risk, try to stay as financially solvent as possible, and absorb these detrimental factors as best they can. In this way, they are a buffer that is key to providing stability to the chain (interviews 11,15, 20, 22). The profit margin of Marreteiros is perhaps the most difficult to estimate. They are the most secretive actors in the chain, and are unwilling to reveal exactly how they work. Additionally, there are several classes of

Marreteiros, operating in different ways, and with very different profit margins. On average, they take between R\$ 1,00 to R\$ 4,00 per lata in profit, beyond outlay. Margins are likely to be lower when the produce originates from regions that are less isolated, and where Ribeirinhos can control market prices through their mobile phones, and may suggest using other buyers if they do not like the offer. Community middlemen also undergo intense control from their neighbors. But in more isolated areas, such as the Curralinho and Breves regions visited during fieldwork, Ribeirinhos have few options for selecting traders. Most of them report selling their crop for as little as R\$ 5/lata, up to perhaps R\$ 15/lata. Additionally, marreteiros often earn a further income, by selling basic necessities such as coffee, sugar and dried meat to their suppliers.

The chain bifurcates at city centres. Marreteiros sometimes prefer the daily risk and fluctuation of the local market, but can find more stable buyers in processing plants. Many of the dealers work with both markets. The local market can often reach much higher prices than the processing plants. The local market is also a cash market. Yet its volatility can also mean that marreteiros may not be able to find buyers, or, if supply is too high on a given day, prices will plummet and they will make a loss. Factories usually have more predictable buying patterns, and will let their suppliers know, for example, when there is a large order to fill. Not all Marreteiros can automatically rely on selling produce to supply factories. Businesses are built slowly and are exclusively. Securing a factory contract provides substantial security and predictability, which allows Marreteiros to increase the volume of their trading, it is also a risky endeavor. Factories seldom pay cash, and sometimes do not pay at all.

Losses accrued from factories defaulting on payments can be crippling, and hard, if not impossible, to recover from. The local market is more accessible to the Marreteiro (there is a daily open market where produce is traded freely, and prices are set daily, with no fixed contracts for trade) and volumes are more-or-less constant (since the berry is a local staple, consumers buy it every day in the same quantities).

At present, it is estimated that approximately 60% of all açaí production is supplied to the local markets (Tavares and Homma, 2015). In Belém alone, there are up to 4000 thousand açaí retailers, or 'Batedores', who stock up at the pedra (local açaí trading port) at dawn, and then process their berries in their shops in metal grinders to sell them to the consumer each day. All other urban centres in the state have a strong local market (Figure 6.2). The açaí juice is a staple of the local diet, and accompanies almost every meal. It comes in three grades, fino, medio and grosso (fine, medium and thick) depending on how concentrated it is. The thicker it is, the higher the price. This demand is thus constant, but prices fluctuate significantly throughout the year, as supply fluctuates.

Batedores pay higher prices than factories, and are more concerned with quality. They cater for demanding customers, with whom they interact on a face-to-face daily basis, and compete with a host of other local businesses (interviews 2, 26, 27, 51). They run small operations ensuring a quality supply is crucial to their profit margins, as fresher fruits yield larger volumes of juice. They are unable to store their product from one day to the next, as it is highly perishable, and so must buy it every day. Although batedores run largely informal businesses, and are able to decide their strategy daily, they rely on a faithful clientele and cannot afford to lose custom through product unavailability. This keeps the local market vibrant and keen, with everyone bidding for the best fruit daily.

Batedores margins vary greatly according to their target market. Many runs very small, informal (and often unsanitary) operations with sales of mostly açaí fino (9%) aimed at lower-income consumers. Those that are able to establish themselves in more prosperous neighborhoods can usually return a better profit margin. They buy on average for R\$ 13,00 (the Marreteiro taking about a quarter of this in costs). They then sell their product to local consumers for an average of R\$ 2,06/kg (or R\$ 29/Lata), making more than 100% on each can they purchase. Yet these prices vary greatly, and in Belém's middle class neighborhoods, a kilo will cost more than R\$ 5,00, according to SEBRAE.

SEBRAE's calculations estimate that on average they make R\$ 20,00 profit from every R\$ 10 spent on raw materials. They often have low costs, including rent, operational costs on machines they use to extract the pulp and staff. Batedores also expect the price fluctuations to be absorbed by consumers, who know that the market varies daily and are used to changing prices. However, when prices in the low season skyrocket, they are likely to trade at a loss for several months, to maintain their customer base and business (a 'loss leader' situation). Their gains on average throughout the year could thus be considerably lower (interviews 2, 26, 51).

The processing plants are in direct competition with the batedores. Spurred on by the growing appetite in the Southern states of Brazil for açaí, as well as international markets, they now make up approximately 40% of the market for the berries. Annually, an estimated 50 thousand tons of frozen açaí pulp leave the State, 10% to foreign markets, the remaining 70% to the Southeast of the Country (Tavares and Homma, 2015). This açaí is processed by factories that buy fresh berries, wash, pulp, freeze and sell them. In the last fifteen years, they alone have caused demand to nearly double, which explains why prices have risen exponentially and Ribeirinhos now make a considerable profit from the berries. These processing plants compete with Batedores for fresh açaí, though they buy more often from Marreteiros higher in the chain rather than on the pedra directly.

Each processing plant has a fixed number Marreteiros, whom they trust, that guarantee their daily supply. Several of these Marreteiros also trade from key ports,

or pedras, where most trading takes place. They usually have set suppliers themselves, buying from community middlemen, and transferring the supply from their small boats to bigger boats in the middle of the river. The harvest arrives mostly in the Abaetetuba region, where the biggest port of the producing area is situated, and is loaded onto trucks by day laborers. It is two hours to travel from there to the Belém factories. Much of the crop is taken by marreteiros in boats directly to factories, many of which are riverside to make use of this trading opportunity. Other middlemen that do not use the local markets, having established supply (oral) contracts with factories, and gathering the fruit from suppliers, operate large boats, and deliver the supply directly by boat (many factories have ports). All negotiations are conducted on mobile phones on a daily basis (interviews 4, 7 to 9, 2, 50, 51).

Occasionally some factories buy from the pedra, which is necessary when large orders come in, or their usual suppliers are unable to deliver. They will often resort to this strategy if they run a small operation, without established contacts, but with lesser regard for quality. Because their product is frozen, and will often be mixed with other ingredients further along the chain, they have less preoccupation with flavor and quality than the batedores. This means they commonly wait to buy what is leftover at the end of trading, for a lower price. Large factories producing large volumes of processed berries in the high season gather and store stock throughout the year, to take advantage of lower prices. However, this type of strategy is only viable to those who have large freezers, and sufficient rolling capital. Smaller operations that do not have that option simply turn off their freezers for part of the year and shut down. Producers in interviews estimate that the açai berries represent 70% of their income (interviews 5, 7 to 9, 50).

Factories sell their produce either on the national market, in Southeast Brazil (mainly Rio de Janeiro and São Paulo), or export it. The product that is sent to the South is received from middlemen, by truck or boat, washed in a cleaning tank, rinsed, pulped and turned into a 9% solid extract (the equivalent of what the local consumer calls açai fino – see above).

This product is then packed into plastic bags and frozen. It is a rather rudimentary and low-tech process. There are few barriers for entering the market, however, the turnover of actors entering or leaving it are relatively high. Often, Batedores freeze the juice, and find buyers in the South, operating informally in this market. In fact, this is how this part of the market began. The current legal and tax requirements tax are considerable, though often flaunted by batedores who spill into the market (interviews 4 to 9, 46, 47). The product travels around 3000 km to the South either in refrigerated trucks, when sold in large quantities or in small batches by air. Brokering transport can be difficult, and some middlemen who have good access to logistics often broker sales themselves to distributors in the South. Since the product is rather generic, and buyers pay little attention to quality, distributors will very often switch suppliers, based on price and availability (interviews 5 to 9, 14, 24).

It is estimated that approximately 10% of overall açai production is exported abroad (Tavares and Homma, 2015). This number has grown exponentially in the last fifteen years, with studies showing that they went from US\$ 104 million in 2002, to US\$ 240 million in 2009 (Nogueira et al., 2013). Due to being no specific, official identifying code in Brazil's agricultural ministry system, it is not possible to have a very precise control with how much is shipped abroad (it comes out as 'others' in the fruit category of the NCM registry, which tracks internationally the flow of commodities). It is also difficult to have an actual estimate of the size of the overall sales outside the State of Belém itself, because there is tremendous amount of tax evasion between companies, who avoid keeping records of their transactions (interview 14). It is interesting to note that the first exporters of açai pulp were also the Japanese cooperative of Tomé Açú, which had the diversity of production and processing capacity in place to meet the demand of foreign buyers.

There are more bureaucratic hurdles to exporting the açai pulp, and international buyers are choosier than those from the South of the country. International buyers require greater phyto-sanitary care, including pasteurization, an additional, and expensive, industrial process. The product is more concentrated (12%), the equivalent of what is termed 'médio' in the local market, and more expensive. Buyers often require producers to prove that their pulp contains sufficient levels of anthocyanins which is the antioxidant compound for which açai is known in foreign markets. However, foreign buyers often pay in advance, which helps those who are able to export to finance their operation. This product is most often exported in 170 kg plastic containers, in refrigerated cargo containers leaving from the port of Belém. Each cargo container holds around 5000 kg, and costs US\$ 5000 to ship. Because there is no fractioning of this container, new small orders are difficult to fill, making the exploration of new markets difficult (interviews 5 to 9, 14, 24, 50).

Factories' profits have been estimated in a previous IDESP study as relatively high. This study estimates that they sell their product for an average of R\$ 5.22/kg, or R\$ 73.08/can, which makes their add-on something in the region of 500% (IDESP, 2010). However, the seasonality of their activity, and the perishability of their produce squeeze their margins considerably. Factories interviewed during fieldwork, however, provided a very different account of their margins. In addition to dedicating 70% of their costs to buying the product, they pay very high power bills, to keep their final product frozen in chambers. Their inability to secure rolling credit to finance their operations and stock up when prices are low increases their vulnerability, and hampers their ability to increase production. With fixed costs throughout the year, including staff, and mostly empty factories throughout, their profit margins suffer. Additionally, because very little value is added to their product, they are unable to reach higher margins. According to SEBRAE, smaller factories have margins below R\$ 3/kg and this barely covers their operational costs (interviews 5 to 9, 14, 24, 50).



Overall, concerning price formation, the rise in demand has multiplied prices throughout the chain. Before the boom, açai prices were very low, something around R\$ 1 for a 14kg lata, for most of the year. In the last ten years, this price has considerably increased and can reach something close to R\$ 10. This dramatic price increase has percolated throughout the chain, and açai, as we have seen, now provides a thriving economy, from the Ribeirinhos to the factory floors. Nearly all of the interviewees, from the most isolated Ribeirinho, to the biggest factory owners in Belém, will tell you that açai trading is like a stock exchange. This means that prices are formed at the Pedra, mostly in Belém, daily, based on the available supply and demand. If too much fruit comes in from the interior then prices fall, and if there is not enough to meet demand the price of açai rises. Additionally, as the season progresses, prices fall, and then rise steeply as production dwindles (Nogueira et al., 2013).

This 'stock exchange' image propagates the notion that prices across the whole chain are entirely free to form, and there is one specifically that has the power to drive them up or down. In a classic value-chain analysis one would conclude that, price formation being free, power distribution is balanced throughout as well. Yet the reality, when one scratches beneath the surface, seems more complex. The prices in Belém serve as a base, and regulate the entire market. Because mobile phones are now available throughout the region, it is now possible for all actors to control market prices daily, and gauge supply. This allows negotiations upstream to be regulated daily, and has curtailed much of the abuses perpetrated by middlemen in the past. Prices paid by factories do not necessarily match those of the daily rate. Factories work to keep prices down, but are often unable to manipulate markets, because traders can just divert production to other factories, or to the local market. Yet prices can vary a great deal inland, as we saw in the Marajó region, depending on how close they are to market routes. Abuses, such as the very low prices often practiced in Currálinho, are still very common (Interviews 5, 6, 10, 24, 50). Thus, at this stage of the chain, the price is relatively free, and governance is loose, but upstream for communities the reality can be quite different.

### 6.3 Embeddedness – extracting context and its relation to chain configuration

Undoubtedly, it is the network of Marreteiros who provide the essential network 'thickness' (network embeddedness) upon which the açai chain, in Pará, is reliant. During the harvesting season, competition can increase, and social bonds are key to ensuring supply. They need to know where they can get produce, and have enough social clout to outdo their competitors. These bonds are built over time, as trust builds up with successful trade partnerships. Further downstream, the larger-scale Marreteiros, who supply the processing plants and dominate the local markets, rely on an entirely different form of social capital to make their business happen. Factories trade exclusively with a set number of marreteiros, with whom they have

strong, though informal, bonds. This is a significant cultural jump for them, a different, more urban and 'sophisticated' environment they must enter into.

Marreteiros are thus surely the key connectors/brokers of the açai trade in Pará, providing the necessary network thickness to keep the produce moving. They gather it from producers in its highly disperse natural environment, and then build the bonds across cultural universes to urban factory owners to deliver it. It is through them that quality control, financial flows, volume distribution and logistics are resolved. Still with respect to network embeddedness, factories also spend a great deal of their time trying to secure trustworthy suppliers, and cultivate good relations with Marreteiros to ensure network flows. Many of them will lend them money for boats, or keep ties with their families despite being rather itinerant. To ensure supply, most factories work with a set number of Marreteiros they trust, with long associations. Some factories have their own, hired 'Marreteiro', whom they send out to build community bonds, and secure supply.

A good example of the reliance of factories on Marreteiros is that of the now defunct Boat House factory in Belém. It tried to bypass Marreteiros and trade directly with Ribeirinhos. They set fixed-price contracts and registered all supplying families. In the end, the Ribeirinhos would only trade with the factory when local market prices, usually driven up by the Batedores, were lower than those set by the factory, which drove the factory towards bankruptcy (interviews 6, 50). Although a traditional VCA analysis (as conducted by Pagliarussi, 2010, for example), would have us believe that factory owners dominate the chain locally, and exert pressure downwards, it seems their relationship with Marreteiros is altogether more complex. Marreteiros often themselves also provide rolling credit to factories, by paying cash to producers and receiving their income weeks later.

Meanwhile, the strongly organized network of batedores, who buy more than half of the overall production to supply local markets, also pull strongly on the network, often competing heavily with factories and other batedores for produce. Many Marreteiros prefer to trade on the spot market – the 'pedra', where boats dock – with batedores, rather than taking their chances with factories, do not pay cash, and have been known to default. Batedores are also more demanding of quality, since local consumers buy their açai fresh, eat it pure, and have a palate for subtle flavor variations (consumer preferences here play a key role). In this way, the network at this point stays tightly in balance, with power stretched out evenly across this web of actors, preventing abuses and ensuring network thickness without the need for a heavily controlled, top-down captive governance model.

Outside the State, through the sale of frozen pulp, factories are certainly more culturally proximate to the entrepreneurs who buy the pulp, more technologically literate, and able to function in a corporate environment. Without these abilities, there would be no way to export the product, to fill orders, to carry out banking and

accounting. They are key to holding the network in place and yet there is also little long-term strategizing, or formulation of investment plans. There exist a couple of traders in Belém who contact and market international buyers for the pulp, and there are several national distributors who market the product in the South of Brazil.

Factories have arisen to meet a demand that was formed elsewhere, and have never had to seek out customers actively. This explains why they have remained in a fixed position in the chain, rather than taking an active role in prospecting clients and chasing new markets. They do not see themselves as protagonists in the chain. Most of them do not regularly attend trade fairs, or have any type of marketing strategy. Mostly they do little prospecting. As the owner of Amazonia 100%, an international trading business specialized in Amazonian commodities, puts it, 'the factories don't have sales departments, they just have people taking down orders' (interviews 5 to 9, 49, 52).

This trader declared that the biggest hindrance to açai's international growth is that local factories do not have English speaking staff, do not answer emails, or work on customer relations (interviews 4 to 9, 50). This lack of entrepreneurialism and ambition of factory owners (individually and collectively), weakens their bargaining position and their overall power in the chain. Here the local societal constraints (the societal embeddedness), restricts the chain's ability to reconfigure itself to capture value and generate regional development. After all, there have been new products developed that could be aimed at final consumers, but they do not know how to market them. There are no scale-crossing brokers who can make new connections in the chain with other areas. In this way, the chain actors contribute little to network integrity of the chain outside the state, and are left in a relatively passive and powerless trading position.

Regarding territorial embeddedness, the population growth and urbanization have played an important role in allowing the chain to take shape, and this has influenced the network of middlemen to meet demand. With people moving to cities, with more disposable income, those left in the interior have seen demand rise for açai (Costa et al., 2016). A web of Batedores has arisen in all cities, to ensure supply to local markets, who buy the product fresh. The increased demand has inflated prices, enabled more Marreteiros to enter the business, and helped batedores become a powerful organized professional class. In urban markets, batedores have tremendous power. These small businesses are highly organized and are a political force to be reckoned with in the City of Belém. To illustrate this, they claim to have helped elect a senator, and put constant pressure on government to change rules or ease restrictions (interview 6, 26, 27). In this way, Batedores, Marreteiros and factories are in a relative balance of power in the region, without any of these actors being able to force others into certain behaviors.

For Batedores, seasonality is a significant challenge. As their demand remains steady ('inelastic') throughout the year, they are forced to allow prices to fluctuate considerably as supply varies. Those who were interviewed claim they are forced to absorb some of this fluctuation themselves when prices rise too high, or they risk losing customers to competitors. Açaí is a daily staple and customers are hard earned (only in the city of Belém, there are at least 4000 Batedores competing for customers). They rely on custom and social bonds, but also on the perceived quality of their product, to keep their businesses afloat (interviews 2, 26, 27,51).

In a similar way to the Marreteiros and Ribeirinhos, the seasonality of the chain also hits factories hard, perhaps even more so. They are the first 'official' link in the chain, the first to have bank accounts, to pay taxes, rent, to obey labor laws. They do not have the flexibility of previous actors to drop everything half of the year, because factories have fixed costs and legal obligations. While larger companies have large warehouses with freezers, where they can store and sell the product year-round, many simply cannot bear the energy bills, or have the rolling capital to stock up, and simply shut down their operation. They still have to pay their fixed costs, and this seriously hampers their margins. Most factories have considerable spare capacity, which they attribute primarily to seasonality.

Moreover, factories operate within a challenging business environment due to its exploratory culture, and relative isolation from the rest of the country. This makes it very difficult for them to move up the chain and add more value to their products. The State of Pará's economic focus lies in mineral extraction and cattle ranching which are industries that add very little value to their product, and that have particularly quick turnover. Very few well-paying jobs are generated, and there are no ancillary industries in place to generate added value. Because of this dominant economic model, with very little local industry, there are no support industries for these factories. It would be advantageous for them to have contacts with others who provide packaging, or those that could produce and supply ingredients for more sophisticated products, or top level marketing and branding agencies. This makes it very difficult for them to upgrade by increasing their product range and making more sophisticated products. They do not have access to design and marketing intelligence, advanced business schools, qualified labor, ingredient and packaging suppliers, and active financing partners. To create a new product, they need to haul all their ingredients and packaging from the South of Brazil, and then sell it back, which does not make much financial sense.

It is noticeable that there is very little local public support for the chain. There is little regard for the slow, step-by-step building of activities such as agriculture, agroforestry or food processing, and their potential social benefits. Factories complain that they have a hard time accessing funds from public banks, or get authorities to structure development plans for the sector. For example, the Belém pedra, where açaí arrives, is in desperate need of re-modelling, for bigger boats to

be able to dock, and for sanitary standards to improve. There is also a need to create labelling and institutional marketing strategies to support the commodity trade. Though government officials continue to claim that things will happen, they simply never do. Attention (mostly of the State of Pará authorities) is elsewhere (interviews 5 to 9, 50, 51).

Loans from private banks are prohibitively expensive, and factories must rely on sparse government subsidized credit if they are to invest. This leaves factories scrambling to finance their rolling activities, with them often juggling their suppliers and clients to make ends meet. These issues are a challenge for any actor's ability to obtain credit and invest in anything from technological innovation to increasing production. This is particularly harmful for industries, and creates a large productivity bottleneck, a fact that has been recognized in the literature published about the açai chain (Pena et al., 2011). It was widely cited by all factories as their key challenge, a condition that suffocates businesses, and stifles growth and improvement (interviews 5 to 9, 48, 50).

From a societal perspective, the somewhat passive attitude of factories is typical of the State of Pará, which has spent most of its history in almost complete isolation from the rest of the country, and world. Ben Hur, (the picturesque character originally from the State of Santa Catarina who opened the first açai pulp processing plant in Pará, and is considered one of the founders of the business), likes to say, 'it is the fault of the Atlantic winds'. According to him, in colonial times, the wind patterns in the Atlantic made it difficult for boats to sail from Pará to the Southern regions, creating a pattern of historic isolation from the rest of the country. Boats would only ever stop on their way North. This statement may or may not be true but it holds up as a valuable metaphor to illustrate how little the businessmen of Pará seem intent on pursuing markets, or even understanding their buyers (interview 4).

The 'quick-buck' mentality of the local elites who are isolated and where societal embeddedness constricts the chain, could be a reason why even the açai factories have gained so little traction (a defining feature of societal embeddedness) in the region. All the factory-owners who were interviewed said that they had little faith in the chain-associations. They seem unable, or unwilling, to come together to resolve issues at the supply side, such as price volatility. They report repeated instances where they agreed to set a maximum price for their raw material, but one factory or another always sabotages the others and bought off all the available açai at the higher price. They also say they are wary of officially sharing any information, or investing together. This makes it very difficult for the factories to successfully lobby government together, or to set up joint marketing structures, which might improve their chances in the market. The Sindfrutas, the syndicate that rallies together all factories, is a hollow institution, without any power, according to all factory representatives interviewed, and much to the dismay of its own chief officer. As one interviewee describes it, 'the business environment is like a bucket of crabs, when it

looks like one is going to manage to crawl out, all the others pull him back down' (interviews 6, 24).

In field observations, one was left with the impression that this lack of social cohesion and historic inequality has created a scenario where actors in different strata of the chain are unlikely to ever come together to collaborate on solutions together. Ribeirinhos, isolated, unschooled, are not regarded as worthy allies by factory owners. Marreteiros are perceived as lawless, 'dodgy', and not respected. They are, very wary of revealing much information about themselves. In this context, it is to understand why there is no effective chamber of commerce where all actors can come together to debate issues, come up with solutions or pressure the government for action. Although the local State agricultural board (SAGRI) has created such a multi-stakeholder platform, once again, it exists largely on paper, and is not very productive (interviews 5 to 9, 24, 48, 50).

The social environment also elides current plans to exclude Ribeirinhos from the chain altogether. Factories have little contact, or regard for Ribeirinhos, and would rather just purchase their fruit from fewer suppliers, with more predictable pricing. They do not seem to realize that without Ribeirinhos, should monocultures predominate, they too will be out of business. Many of the plans made by those in power positions involve creating production pathways that cut the existing chain out altogether, in favor of monocultures that are privately owned by members of this 'reliable', 'professional' elite. Overall, they seem to want to reserve local public procurement contracts for the Ribeirinhos, and explore wider markets through large monocultural operations. When, and if, 'big money' comes in and a large-scale monoculture is implemented, then processing will be done on site in verticalized operations. This can be illustrated with other products from frozen peas to concentrated orange juice (just as in Santarém, for example, or at CAMTA). Local factories do not seem aware of this reality, and have no desire to embrace the peculiarities of their trading arrangements. The creation of a dialogue with stakeholders on behalf of factories, middlemen and Ribeirinhos to reach an understanding of their dependence on each other, and the risk they face from the monoculture model, is essential. Although these development processes are labored and slow, common solutions and cooperate, could in the medium term change this dynamic.

In such a challenging and disparate societal and territorial scenario, the existence of the açai chain is astounding. It exists despite all its challenges, the precarious boats, the absence of credit or State presence, the perishability and seasonality of the fruit, and yet the chain works. Each actor, the Ribeirinho, the Marreteiro, and the processing plants have much to negotiate at each rung of the ladder. They need to make significant efforts to sustain the strong social ties that provide the sufficient network thickness to sustain trade in such an informal scenario.

## 6.4 Value capture

Bound as they are by the embedded context, the actors within this chapter have limited opportunity to improve their ability to upgrade in the chain. In theory, the relatively loose power relations would enable a high level of mobility in the chain. However, the difficult territory, particularly in urban environments and the weight of this particular sociocultural context constricts agency limits the options that might be available to capture value and advance local developments.

Due to the seasonality of the açaí, and the lack of demand downstream for other forest commodities, the previous chapter illustrated that actors are unable to diversify into other activities (chain upgrading), despite the wide array of local products to be exploited (Figure 6.3). Marreteiros are also locked out of organic certification or other product upgrading possibilities. They can only hope to move up the chain (function upgrading), or increase their trading volume and margins (process upgrading) through better infrastructure and finance. There are reports of Marreteiros, even larger scale ones, who climbed out of Ribeirinho communities into their roles. I observed that most Marreteiros have Ribeirinho origins. Despite this there are many barriers to entry at this level, because of the steep competition and little available credit. Still, since the pedras are open markets, there is always space for new players to enter and sell to batedores and factories alike.

For these marreteiros to move up the chain, they must acquire a bigger boat, and sufficient running capital to finance their transactions (to pay for product, but also fuel, staff and ice). In this research, smaller-scale Marreteiros who had managed to move up the chain received assistance, either by another fellow Marreteiro or family member to teach them the system, or through a buyer, who was interested in adding a new player to the market to improve their supply. Exclusive contracts for everyone concerned from Marreteiro to factories, are hard to come by because they are established carefully, throughout time, and require a great deal of mutual trust. New players seldom arrive on the scene. The case of the Sambazon factory in Macapá, illustrates how a factory can organize the whole supply chain and even decide and select the days that an exclusive, supplier can dock at the factory with produce (interviews 11,15, 20, 22).

It is possible that larger-scale Marreteiros, who have amassed significant contacts and supply levels, as well as capital, can become factories. Such is the case of São Pedro, the biggest existing açaí factory in the State of Pará. It was founded by a Marreteiro family (dominated by women, which is rare in the trade) that managed to close a supply deal directly with a buyer in Rio de Janeiro, who wanted to diversify supply. The terms of their agreement are a well-guarded secret, but this bridge into the market enabled them to set up shop and become a processing plant. Many attribute their continuing and growing success to their knowledge of the Marreteiro trade. Yet this seems to be the only such case in the chain. One could speculate that

the urban, 'official' model of factory work, the fixed costs and bureaucracy does not much appeal to Marreteiros.

Upgrading to the position of factory is something that batedores seem more likely to do. Basically, the product is identical, but in this case, it is frozen. To start process upgrading, all that is needed is a freezer of sufficient capacity. Of course, the level of state environmental obligations, and certificates required, are very different. But many begin operating informally, and then regularize their operations when their business grows (some never do). There are several reports of batedores operating in the frozen pulp markets, and these factories started out as batedores. It seems that there are several buyers who are willing to accept product without the fiscal and environmental health paperwork to obtain a discount, and this opens the market up for Batedores. Factories often complain that they are undercut by illegal competition with lower costs, with batedores constantly entering their market.

Staying in business as a factory is a difficult job. It seems that factories go in and out of business constantly in a business environment that is challenging. A defaulting customer can bankrupt an entire business. Brazil's sluggish legal system makes recovery of debt slow and difficult enough to cripple factories before they can get paid. There is an almost complete absence of credit, and the seasonality of production make factories financially insecure, where defaults can be crippling. They have little opportunity to invest in upgrading, considering the difficulty in obtaining credit. Only the larger-scale players are ever successful in securing government sponsored credit and invest in any upgrading strategy. In a country with one of the highest interest rates in the World, where loans must be government-subsidized to be viable, investment is thus heavily constricted. The business environment in the South is a lot more 'professionalized' and cutthroat than that of Pará, and companies who do a poor job of customer services, or deliver their product late, or in poor condition, are driven out of the market by southern buyers. Therefore, though barriers to entry are relatively low, 'barriers to staying' are quite high. This cadre, along with a short-term mentality and the inability to invest in marketing, seems to set factories into a perpetual low-tech operation (interviews 6, 24, 50).

Diversifying into export markets is highly desirable even though this could be a strategy that is difficult for factories to achieve. Exporting will often require them to obtain organic certification, and have all their paperwork in order (including an export license, which can take up to a year to obtain). This will require a host of new bureaucratic processes, which are costly and time consuming. Customers are a lot more demanding. SEBRAE estimates that the cost of acquiring the appropriate machinery to pasteurize the product, can cost anything from R\$ 200.000,00 to R\$ 800.000,00 depending on capacity. Additionally, foreign (international) buyers are even more demanding with customer service (which is always conducted in English). They also require specific levels of anthocyanins in their product, which means that factories need to be able to perform continuous and thorough quality control. It is



possible that the least professional factories, which flood the national market and drive prices down, would be unable to compete here. As a consequence, building up capacity to enter export markets (which has the added bonus of paying in advance) is a promising alternative for factories that want to add value and escape the cutthroat, race to the bottom environment of the national market. Yet only those with investment capacity and sufficiently efficient sales department seem to manage to access that market (interviews 4 to 9, 24, 50).

At present, many factories are also experimenting with new products. For example the açai mix, (which is basically an ice-cream form of açai), has been produced and consumed in the South of Brazil (frozen pulp is blended with guaraná and sugar syrup into a creamy dessert-like concoction). This type of product would allow companies to accomplish functional upgrading, moving into the position held by factories in the Southeast regions. Some factories have also begun producing lyophilized açai juice, which they claim is pure, non-oily, and can be a great form of adding açai to industrial processes. There is also the açai powder, which is mainly useful for the supplement market abroad. Both these products have the advantage of being more highly concentrated, and do not require refrigeration during transport. The scientific processes that created these products were developed in public universities, and results seem easy to find and reproduce, though factories tinker with the product considerably until reaching a marketable solution.

It is hard to ascertain, because they are such new endeavors, how many new market opportunities these products can in fact open up for factories. What is notable is that the absence of support industries, such as packaging, or even sugar syrup and other industrial inputs, makes it costly, and logistically difficult to create integrated production clusters that could catapult the local industry into new strata of production. Despite the existence of a challenging business environment, and a culture that stacks entrepreneurs against innovation, some actors manage to take risks (interviews 4, 8). Success has been limited and according to Sindfrutas the overwhelming majority of açai leaves the state in pulp form.

What local factories have not attempted to do is move into the production of finished, branded products (even if they are just pulp) and cut out actors in the Southeast altogether. This is where most of the value capture occurs, and could unlock regional development, spurring the creation of a host of support industries in the region, and improving what is undoubtedly an unfavorable business environment. There is a dilemma here because the absence of a business environment precludes the type of upgrading that could revitalize the local economy. It appears that their distance from consumer markets makes them deeply weary of upgrading in this way. They fear that their buyers will be put off from entering this type of market, and therefore they will lose business. An exception is Bella laçá, which is by far the most professionalized company in the State and has partnered up with an outside company to create a brand. Although it is apparent that they may not feel confident

in going out on their own this company are aware that without creating strong brands, they have little chance of adding value to their products and growing their business. Their outside partner does the marketing while they make the product, however even in this example the company feels afraid and incapable of taking the risks of going out on their own. As we see later, companies in the Southeast have not warmed to this form of vertical integration (interviews 4, 6, 8, 50, 58).

The societal embeddedness of the factory class appears to bind their behavior as businessmen, and makes them unlikely to explore new markets or take risks. In an extractivist, commodity-based cultural environment, the notion of branding, and subjective value adding seems pointless to local businessmen. When strategies were discussed in interviews, none of the factories interviewees seemed interested in exploiting them. In this way, the gross of their production remains very generic, interchangeable, and their businesses are vulnerable. Perhaps the Bella laçá partnership model is a way for them to start exploring this aspect of the business, and will encourage more adventurous behavior in the future (interviews 4 to 9, 24). This cultural unwillingness to explore marketing and increase demand helps explain why diversifying into new products is also not viewed as an option. With factories empty half the year, it is at first surprising that local businessmen do not explore and try to sell some of the other, easily available, indigenous fruits, with complementary seasonality, to keep their businesses operating yearlong.

This type of diversification would be tremendously positive for the whole chain, since everyone from Ribeirinhos to Marreteiros would not have to stop working half the year at least. But factories have had no hand in ever marketing or generating demand for açaí, and do not appear able or willing to take up this task. Possibly this is because it was the demand from foreign (international) players, outside of Pará, that created the açaí market and factories merely responded to this demand. The local business culture remains reactive. Due to the local business culture of accommodation and mutual distrust, it is unlikely that they would, (collectively or individually), get behind an initiative to market other fruits.

This inability to create exchange value is baffling in such a culturally context such as the city of Belém, where most of the factories are located. It is a city rich in history, with a unique cuisine, and an active cultural life. It is a unique modern metropole with old colonial quarters, new chefs and traditional markets, and an immense variety of fascinating foods and exotic products. Yet, perhaps because the identity of açaí was crafted elsewhere, local entrepreneurs are unable to propose products that capture that value. At present, the Brazilian export agency APEX is beginning to work towards creating a space in global markets for these products, with videos and promotional materials that promote the cultural wealth of the region. The local State agencies are working to promote the region, through tourism and gastronomical initiatives. This work may appear in this region to be too subjective, however it is probably the most important intervention to help the region effectively use its unique

culture to catapult meaningful regional development. Yet still the investment in this type of activity in Brazil is minimal, compared to the hundreds of billions of subsidies that are given out to traditional industries such as: oil extraction; commodity production; and automobile manufacturing.

## 6.5 Conclusion

The wealth of data gathered in Belém has been systematized according to key themes in table 6.1 below. At this research site, we learn the crucial role that marreteiros play in building chain cohesion (network embeddedness), and their centrality to the formation and maintenance of the chain. We also see that despite previous findings, factories are at weak positions, when considering their trading relationships beyond this geographical scale. Undoubtedly, the wider investigation into "embeddedness" across these scales builds a much more comprehensive picture of the chain, which points to a different set of findings, and policy recommendations, that more narrow approaches have proposed.

The açaí chain remains in place thanks to steady demand, and the keen entrepreneurship of a few individual actors along the chain (the Marreteiros who organize product flow, and a couple of key factories who lead the way in supplying markets, and developing new products, as well as the vigorously active batedores and their association). Despite setbacks, the process – the chain – still works. Ribeirinhos manage to make a living by connecting with the market, factories process and export. There is much to be celebrated, learned and replicated. The key role of marreteiros, the existence of a strong local market, and the powerful pull of external buyers all appear to sustain the chain in its current form.

Although the value-chain analysis conducted by IDESP, the Institute for Economic Development of Pará, (IDESP, 2010) would single out factories as the key power player in the açaí chain within the State of Pará, a closer analysis reveals a far more complex reality. We see here the limitations of conducting quantitative analyses to determine power relations, without engaging the whole chain and its context. We find here that factories seem rather vulnerable, and unable to position themselves as drivers of regional development through strategic value capture strategies. Certainly, factories capture a great amount of profit from the chain in Pará, but they are unable to control the market, or to invest in their expansion. They are squeezed by the informality of the Ribeirinho/Marreteiro economy and the formal business environment that they straddle. They rely on Marreteiros, and compete with the local batedores, who, despite their small individual size, tilt the balance of power in their favor because of their strong organization as a class.

Power distribution seems to be diffuse, without one clear dominating actor. Societal and territorial embeddedness appears to play a larger role in defining actor's leeway within the chain than the intra-chain dynamics between them. In this way, the types of upgrading that could drive regional development, moving local factories into more high-technological and profitable positions in the value chain, remain out of reach. With an unfavorable business environment and poor logistics, and little coordination between actors, factories are relegated to very basic processing functions. Since demand for the berries constantly outstrips supply, and the supply chain is complex, there is little any individual actor can do to alter the status quo. If anyone has significant control to make modifications, it is the Marreteiros. But the pull of demand from both factories and Batedores also means that there is a daily struggle to obtain produce, keeping all actors somewhat in check. With mobile phones, and several trading options available, it is difficult for one single actor, or class of actors, to exert much dominance over the others. This has resulted in price increases and competition increase, benefiting Ribeirinhos. It appears that there are several trading options, except for those who are geographically isolated and rely on a single trading route, such as is the case with the more isolated communities in Marajó.

There remains much room for improvement, for the açai chain to fulfil its local development potential, particularly generating the urban jobs that would meet the State's current needs, with people moving in large quantities to the cities. There has been little targeted government support to improve conditions locally, or any real coordination between actors to improve conditions. Great improvements can still be made with better boats, better storage and improved financing lines. Without adequate policies, many see the risk that the açai boom will suffer the same fate as the rubber boom, which quickly went bust after monoculture farming was instigated. Yet no effective steps are being taken to prevent that. Local factories are weak and underfunded, and are unable to take up the role of 'lead firm' that the literature recognizes can pull demand by promoting market access and regulating supply chains. Sectoral chambers are inept, and factories do not seem to recognize that they are also a product of the Ribeirinho economy, and should align themselves with them to solidify and defend their business model. Once big businesses sweep in to create their monocultures, they will most likely do their own processing as well, driving these factories out of business.

To stop this from happening, actors in Pará must realize the importance of developing operational circumstances of the chain to preserve the industry. With monocultures becoming the norm in modern agricultural practices, processing will likely be verticalized. Large producers (such as Santarem, or CAMTA, will set up their own processing plants, and add value by selling pulp directly, cutting costs and gaining efficiency. Factories in Belém will see their transaction costs become too high to compete. Once again, the creation of a real, functioning multi-stakeholder forum where all actors can recognize and work from their interdependence is urgent. This is a difficult task, which requires actors to overcome deeply ingrained cultural

preconceptions. The recognition of the need for common strategies can lead this chamber of commerce to become an effective advocate for public investment and to attract private capital and entrepreneurs. A collegiate effort can also jumpstart the branding of açaí as a product typical of Pará's Ribeirinho and indigenous culture, and the investment in place branding, particularly for international markets. Together they can also invest in seeking alternatives to overcome the spare capacity that weakens this entire portion of the chain, which only exists when the fruit is in season.

The açaí berry is still not officially registered as a Brazilian agricultural native, exclusive crop, and thus cannot be registered internationally as such, to expand the niche market for the product. At this moment, anyone can lay claim to it. There has been no campaign to label or brand the product as native to Pará, and to extol its environmental and social benefits. There is little appetite to add value locally through product development or marketing. These actors have also not managed to generate build demand for other available Amazonian fruits, so as to resolve the issue of spare capacity that plagues the entire chain over half the year. It seems that embeddedness in a quick-money, isolated, commodity-based State, with little social cohesion, and no real value recognized for Ribeirinho livelihoods makes it impossible for actors to come together and work towards these goals.

The national and international dimensions of the chain, it seems that the pull of demand plays a key factor in sustaining and shaping the chain, while improving product quality. Access to international markets has pushed some local actors to upgrade their product into organic formats, and has also forced them to work on their quality, improving their internal processes. These markets are highly desirable, since they pay in advance. Yet few factories have the technical capacity to handle these orders, which requires them to have certified product year-round, and to have a minimum level of management and commercial capacity (such as answering emails in a timely fashion and in English). Local factories also do very little to chase customers abroad, such as taking part in events, creating promotional materials. It is the international entrepreneurs who come in to choose suppliers, leaving local actors to play a very passive role in the development of these trade relations.

There is little research that considers the State of Pará that offering detail about how these actors relate to their buyers and how these relations condition the chain. In the particular case of the açaí berry market, where the chain was formed through external driving forces. To establish a clearer picture of the situation, further investigation of the national market, in the Southeast of Brazil, and the international market, particularly the USA, is paramount.

**Table 6.2. The Analytical matrix – Marreteiros, Batedores and Processors in Belém, Brazil**

	<b>Territorial embeddedness</b>	<b>Societal embeddedness</b>	<b>Network embeddedness</b>
<b>Relation to chain creation</b>	<ul style="list-style-type: none"> <li>- Açaí as a local staple with a strong local market, spurred by urbanization and population growth, provided stable basis for chain to grow</li> <li>- Difficult logistics have required a sophisticated web of Marreteiros to crop up to move product</li> </ul>	<ul style="list-style-type: none"> <li>- The local culture formed an industrial class that is very reactive, and only sells product to those who reach them, without any projection outside the local context</li> </ul>	<ul style="list-style-type: none"> <li>- The existence of a web of marreteiros has allowed the chain to grow despite logistic difficulties</li> <li>- The strong Batedor local market enabled outside actors to find a sufficiently robust chain from which to begin processing</li> </ul>
<b>Relation to chain configuration</b>	<p>The chain requires tremendous effort on behalf of marreteiros to stay in place with the difficult logistics, and factories must stay close to perishable supply to remain viable</p> <p>There is little credit for actors, which stifles factories' ability to stock product yearlong and achieve better margins, making them again reliant on outside actors - marreteiros finance a lot of the chain's cash flow The seasonality of the açaí generates costly spare capacity</p>	<ul style="list-style-type: none"> <li>- Several factories, with identical offerings, compete in a predatory way, without seeking to reach new markets, increase their product line, etc.</li> <li>- actors at different level of the chain are mistrustful of each other, and cannot come together to overcome common obstacles</li> </ul>	<p>Marreteiros provide key services, ensuring cash flows, controlling quality, ensuring adequate volumes reach markets</p> <p>The abundance of trade pathways (including the thriving batedores) makes it easy for actors to find buyers, which stabilizes prices and prevents abuses</p>
<b>Relation to upgrading</b>	<ul style="list-style-type: none"> <li>-Poor business environment hampers innovation into new, high quality and high value added products</li> <li>- The absence of credit makes it difficult to invest</li> <li>- With a generic product in a heavily competitive market, factories compete mostly on price for a low-quality product</li> </ul>	<ul style="list-style-type: none"> <li>- Because of the local culture and how the chain was formed, factories are not able to upgrade by marketing more diverse products or more sophisticated açaí offerings</li> </ul>	<ul style="list-style-type: none"> <li>- The poor capacity that factories have to cross scales and broker different realities ties the chain down</li> <li>- As they improve their brokerage ability and become savvier, the open market makes it easy for marreteiros to move up the chain, buy bigger boats, etc.</li> <li>- Because factory products are generic, and quality control/legal controls weak,</li> </ul>

			<p>Batedores easily compete with factories, and go in and out of business easily as well.</p> <p>- Lack of brokerage capacity in local urban class keeps factories at low-value processing role, and unable to explore new markets, or add new product lines</p>
<b>Development outcomes</b>	<p>- Local processing generates some local development, but mostly is a necessary step to ensure that Ribeirinho products can reach markets</p> <p>- Innovation at factory level is low, and with rising urbanization, creating more and better jobs in cities is important.</p>	<p>- Disorganized chain relations, and the unwillingness to come together to improve conditions hampers the chain's ability to grow</p> <p>- The inability to value the 'Ribeirinho' identity or to visualize how to harness exchange value through marketing and this keeps value capture low in the region</p> <p>- Under these conditions, the temptation for outside actors to sweep in and implement monocultures with verticalized processing facilities is high</p>	<p>- The açai chain offers opportunities for social mobility until the factory level for a range of actors</p> <p>- Factories are mostly stuck, because they lack the brokerage skills they need to reach markets directly and upgrade</p>
<b>Policy lessons</b>	<p>- To truly sustain the chain in a way that is valuable for Ribeirinho populations and local urban populations, it is important to manage the spare capacity in the industry, by finding alternatives for the chain to function when the açai is not in season</p> <p>- Enabling credit for local producers to stock product year-round would greatly improve their finances</p> <p>- Developing new products is useless when there is no demand, and actors rely on outside buyers to purchase them</p>	<p>- More efforts must be made for local actors to come together and find common solutions for price fluctuations, quality control, logistics, etc.</p> <p>- Factory owners must be made to realize that without the Ribeirinho economy, they will run out of business. Monoculture models have their own processing facilities</p> <p>- For real value capture to occur, the marketing of local products must use the local culture as a creator of value, which requires a different type of entrepreneurship, where the ability to broker and canalize culture is essential</p>	<p>- Even when the logistics seem daunting, when there is sufficient, stable demand, local actors will organize to form strong chain bonds that can sustain trade</p> <p>- The existence of powerful middlemen, who can negotiate on equal footing with factories is important for contractual security and chain stability</p> <p>- A diffuse web of local actors constantly competing for product keeps the chain stable without the need for captive governance ties</p> <p>- It is no use fostering the development of new products when entrepreneurs lack the brokerage skills to explore new markets</p>

## Chapter 7. THE SOUTHEAST OF BRAZIL AND URBAN BIRTH OF 'AÇAÍ POP'

### 7.1 Introduction

In the last twenty years, Açaí has become a marketable commodity that is pervasive throughout Brazil. It is available in small snack bars, bakeries, juice shacks, as well as supermarkets and other larger retailers. The Brazilian national market for açaí, according to the best available estimates, absorbs 40% of all production from the State of Pará<sup>19</sup>. The majority of its production goes to the Southeast region of Brazil, which comprises the States of Rio de Janeiro, Minas Gerais, Paraná and São Paulo (Tavares and Homma, 2015) Understanding how the chain is shaped and formed in this region, and the extent that local conditions percolate back towards Pará is crucial for arriving at holistic policy recommendations that will give eco-social benefits as well as maintaining economic viability.

The development of the consumption of açaí outside of local communities originates from a famous, martial arts fighting family, from Pará, who included it in their healthy diet plan. They blended a mix of açaí pulp and guaraná syrup. Since then this product has been sold in large containers to small retailers by many small local factories, with pulp sourced from Pará. Large brands have developed and this product is available in supermarkets where a very similar product is sold in small containers. It is in this form that açaí is mostly processed and marketed in the region. This chapter will explore how these firms who have branded Açaí operate, and under what conditions. What kind of development outcomes does this specific chain configuration engender? What lessons can we learn? Few Non-Timber Forest Product (NTFP) value chains have been investigated beyond the local level. Despite this, there is much to learn by exploring how issues beyond the regional/extraction level influence Ribeirinho livelihoods, and the sustainable development of the Brazilian economy as a whole.

In Brazil there has been a much-improved business environment and more prosperous consumer base. Despite this, innovation is markedly lower than in other places such as California in the United States. The Californian market is characterized by the use of a model of networked co-packers and specialized actors that work collaboratively. This chapter will illustrate that in contrast to this model, in Brazil the food industry, and the açaí food industry in particular, is highly verticalized. Local industrial actors have very little foreign (international) sales, whether of finished products or intermediate goods. The formation of this chain has been hugely positive for increasing demand and developing an entirely new industry, however

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<sup>19</sup> <https://ciorganicos.com.br/wp-content/uploads/2013/09/A%C3%A7ai-Sebrae.pdf>



there is much space for improvement, particularly through the integration of the region into global production, trade and marketing flows.

This chapter explores how consumer myths influence the chain, and with what impacts. Consumers' interest or knowledge of açai's Amazonian heritage and its eco-social benefit remain very low. The açai's nutritional benefits are unknown, even though there is a vague notion that it is a healthy snack. No specific information about its antioxidant content and value is available, or known by the general public in Brazil. Although the elite classes have slowly begun to take an interest in these issues, consumer activism is practically non-existent. Large retailers are now mostly foreign owned, use imported systems of control that have led them to extend a series of requirements onto their açai product suppliers to ensure some level of transparency and accountability within and between the links of the chain at this level.

## 7.2 Tracing value-chain formation: How did the açai trade achieve its current status?

The story of how açai spread from Pará to the rest of Brazil is tied to the strong current of Japanese immigration to Pará at the turn of the 20th century. In the 1910s, a Scottish Brazilian diplomat made a stop in Belém on his way to a posting in the Caribbean. He met a local, beautiful woman and decided to stay. The Gracie family settled, and Gastão Gracie became an influential local businessman. At that time, a large number of Japanese people were escaping harsh conditions in Japan to settle in Pará. The Japanese immigrants were encouraged by offers of land and passports made by the Brazilian government. They were eager to settle and populate the region that was at this time relatively deserted. This is this same wave of immigration that has given rise to the Japanese community and cooperative at Tomé Açú, who have played a key role in the dissemination of açai products. When jiu-jitsu master Esai Maeda (also known as 'Count Coda') arrived, in 1914, he became friends with Gastão Gracie, who helped him settle and make his way in Belém. To show his gratitude, Esai Maeda decided to teach Jiu-Jitsu, (an ancient Japanese martial art), to Carlos Gracie, who was Gastão Gracie's eldest son (interview 52).

Eventually, the tide would turn for the Gracie family, and they would return to Rio de Janeiro to seek to rebuild their livelihoods. With them, they brought the jiu-jitsu they had learned from Esai Maeda, and the açai they would eat daily. Carlos Gracie's youngest brother, Helio, was frail and unable to handle the physicality of the original jiu-jitsu method. He would later re-imagine it to create what is now called Brazilian jiu-jitsu, a more-strategic variation of the original method. Helio would go on to challenge some of the World's greatest fighters to the ring, and his momentous success, along with his famous exploits on the beaches of Rio, would make his new fighting method a sensation (interview 52). His older brother, Carlos, remained by his

side and the Gracie clan, with all of their offspring, became a powerful cultural and social influence in Rio de Janeiro. They created a thriving business, with gyms strewn across the city, and many championships and events attached to their name. For Carlos, nutrition was a key aspect of the fighter's regimen, and he was keen on divulging his Gracie diet, of which açai was a cornerstone. Although some açai was probably available before this time, it was when the Gracie clan started endorsing it that it became a success (interviews 52 and 55, 58).

As we have learned before, the fruit is highly perishable, and does not travel well. To get around this logistical challenge, Carlos had a friend who worked for an airline company and arranged daily shipments from Belém. Instead of the fresh açai we see in Pará, the new açai was frozen. To make the açai more 'energetic' and agreeable to southern palates, guaraná syrup was beaten together with the frozen pulp, to create the 'açai bowl'. Guaraná is high in caffeine, thus making it highly energizing, a perfect pre-training pick-me-up. The guaraná-based syrup also has the advantage of being very sweet, making the natural earthy, dense, slightly metallic flavor of açai more appetizing to this new audience. The new 'açai bowl' was thus highly nutritious, frozen and sweet, a very attractive snack for a warm, and health-oriented ambiance such as that found in Rio de Janeiro (interviews 52 and 55). This is still how the product is consumed today and the chain has remained, although greatly increased, unchanged in its configuration. The chain starts with the pure açai which is sent to the south frozen and this where it is thawed, mixed with guaraná and refrozen for final consumption.



**Figure 7.1** A typical açai bowl, with frozen pulp blended with guarana, topped with bananas and granola (author's photo).

Due to the endorsement of the healthy beach crowd, with its athletes, fighters, and surfers the açai bowls became popular throughout Rio de Janeiro (Figure 7.1). This

meant that specialized factories in Pará began to grow in order to meet demand. Initially it was the Batedores that simply froze some of their daily batch, but this rise in demand encouraged new, dedicated factories to go into business in Pará to supply the market in the South. Many of these factories were initially Batedores who upgraded production. At some point in the mid-90s, açaí consumption began to appear on Globo's programming, in some of its youth oriented series. Globo is the fourth biggest TV group in the World, and a truly hegemonic media presence across Brazil. Once açaí began appearing on TV, interest peaked. Specialized açaí houses began opening up across Brazil, particularly in big cities such as São Paulo in the late 1990s (interviews 50, 55, 58).

Seeing an opportunity in this growing trend, a group of entrepreneurs would set up new businesses looking to expand this new market. Companies such as Frooty, in Toca do Açaí, and existing fruit pulp businesses such as Bella Ischia and DeMarchi began investing in açaí-related ventures. Eventually, a number of small companies, producing their own 'mix', of açaí and guaraná syrup and distributing to small businesses also appeared. Traditional advertising (print media or TV) was almost non-existent, although the consumption of açaí continued to be associated with sports (particularly fighting and beach sports, and a health-conscious lifestyle through athletic endorsements and beachside promotions). Consumption grew essentially through word of mouth). At present, although especially dedicated açaí houses have mostly closed, this produce can still be found in most snack bars which are called 'padarias' (bakeries which double as restaurants and are very common in Brazil), as well as all supermarkets. Consumption has remained pretty much the same, in the form of açaí bowls, made of frozen açaí pulp mixed with guaraná syrup (often in a prefabricated mix), blended with fruits mostly bananas or strawberries), often also blended with powdered milk, sweetened condensed milk, and served with granola and fresh fruit (Figure 7.1; interviews 58, 56, 87,88,55).

Açaí is still not something that is commonly prepared at home, rather a snack to be had in bars or juice shacks. Most of these businesses buy a pre-mixed açaí and guaraná mixture from small distributors. Slowly, new product innovations have begun to hit supermarket shelves in Brazil, including pre-packaged juices, dehydrated granules, and new forms of frozen products, such as a diet version, or sticks and sorbets. When visiting retail outlets, it is easy to see that the variety of products found in the US market, which includes everything from yogurts, to cosmetics and candies, is not yet present in Brazil. Organic açaí is virtually non-existent as well, although Sambazon seems to be investing in the local market.

### 7.3 Tracing the chain in its current configuration in the Southeast region of Brazil

The chain in this region is highly verticalized, and product innovation is relatively low. Of all the investigated actors in this study, only one company works with a co-packing company. All of the other interviewees have their own plants, distribution, marketing, and other logistical infrastructures. As they grow, it can be observed that they seek to exert vertical control over the extraction process through buying or setting up their own pulp plant, or, (such as the Coca Cola Company and Frooty seem to be doing, going all the way back to the Ribeirinho communities), as well as creating monocultures. The relatively new arrival, Ecofresh, has preferred to retain contractual ties only with pulp suppliers, despite its rapid growth over the last few years (interviews 55, 91, 58, 68, 83).

In its present configuration, the chain that reaches the Southeast of Brazil is, in some ways, simply an extension of the initial system created by Carlos Gracie. The pulp arrives frozen from Pará, where it is mixed with guaraná syrup by a multitude of companies, then redistributed to retail outlets, where it is mixed into 'açai bowls' for immediate consumption. However, the presence of industrial products at retail outlets has grown and this in turn has changed the dynamic of production and extraction back towards Pará where increasingly professionalized actors seek to control their supply and ensure control within the chain (interviews 55, 58, 61).

There seem to be a few exceptions to the domination of Pará in the supply of açai to the South although other Amazonian States have recently entered the market. Several interviewees reported that they bought directly from a farm in the State of São Paulo. This farmer, in the region of Arujá, supplies local 'mix' factories with açai pulp because he plants on rotation which gives him two crops a year. By ensuring constant supply without the need for storage, he has grown and is gaining market share. He follows prices from the North and their fluctuations, but gains advantages with the proximity and constancy of his supply. Though his share of the market is still small, it does forebode a future where monocultures could take over from current small-scale, near-extractivist production modes (interviews 55 and 58, 83,84). It is unclear how much cheaper monoculture production is than current patterns, and what impact a shift towards predominant monoculture production would have on price. The Coca Cola Company gets its supply from the State of Amazonas, where açai is also abundant and there is less competition (interview 61). With the rise in popularity, an increasing amount of Amazonian states have entered the trade (particularly Amazonas). They take advantage of different growing seasons to enter the market, although several interviewees relate that the flavor of this açai is less appealing. It is also unclear whether sourcing costs from other states are significantly lower.

A host of small local factories supply retailers with a mix product. They are often small, and operate with a varying amount of regulation. Some of these produce other frozen goods such as ice cream, while others only work with açaí. The vast majority of factories buy frozen pulp from factories in Pará. Many of these transactions are off-book, meaning are not officially recorded to avoid tax payments. Quality control is haphazard, and negotiations are essentially price-based. As we will discuss in more detail below, Brazilian consumers have little knowledge, and thus demands, regarding antioxidant content or health benefits in general, making quality a lesser concern along the national part of the chain (interviews 55 and 58, 83,84).

The industrialization process in these factories consists of thawing the frozen pulp purchased from Pará, almost always of the 'fino' variety (9% pulp) and blending it with a guaraná syrup, water and other additives that improve stability and texture (or not), and refreezing it and repackaging it into 10 liter packages for distribution. The guaraná syrup is often purchased from other suppliers, though some produce their own syrup as well. This syrup consists of refined sugar and water, with added guaraná extract. Although the guaraná was originally from the Amazon, the State of Bahia is now its largest producer, where production has switched to a monoculture model. Production of the syrup itself usually takes place in the South, as is the case with the açaí mix. The process is pretty much the same for large corporations and small operations. The quality and hygiene can vary immensely, with smaller outfits and often these are pressed to compete on price, add a series of additives and foreign items to their mix, from artificial additives to other produce such as avocados to bulk up the very expensive, relatively, açaí pulp (interviews 55 and 58, 83,84).

None of the interviewed companies showed much interest in buying the prepared mix ready from Pará. Most companies claimed that in addition to wishing to control the exact outcome of their product, the logistics of this concept do not make sense because these factories are very far removed from consumer markets. The water content in the final product is much higher than that of the pulp. The pulp must travel 3000 km by refrigerated truck from Belém to São Paulo and it makes no sense to, as one interviewee put it, to 'pay a lot of money to transport water' (interview 56). Additionally, the other ingredients and packaging needed are not available in Pará, making such an endeavor only potentially viable at very large scale<sup>12</sup> (interviews 54, 56, 57, 80). The 9% pulp, which is already mostly water, is only 60% of the finished product, plus packaging, storage and logistics. Although many companies would find it advantageous to produce some of their mix in Pará to supply markets in the North and Northeast, they report that the lack of professionalism in the business environment in Pará keeps them from investing, though some have tried in the past. There are not many qualified staff as well as an unreliable business infrastructure which discourages these actors from bringing some of their operation to Pará.

Factories rely on the network of independent distributors to spread the product out across the myriad retail outlets that carry açaí products in the region. Often these

distributors also carry the traditional accoutrements, which are the granola that is usually sprinkled on the bowl, in addition to the 9% frozen pulp that is made into juices at retail outlets. Many also carry ice creams and other frozen products. This portion of the trade works at a relatively small and diffuse scale that flows between small factories in Pará to small and larger factories in the Southeast, distributors and a few retailers across the region.

There are no official numbers that can help us determine what proportion of the açai trade flows through this channel (interview 14). However, considering the pervasiveness of açai in small retailers and the general preference of consumers for this mode of consumption, it is easy to conclude that this certainly is the prevailing 'leg' of the chain. Ecofresh (a company that has grown out of this model into a large brand that is present in all major chains), estimates that this small-scale market represents 60% of all açai trade in Brazil (interview 83). There is a large franchise outlet, entitled Toca do Açai, has over 45 premises across the Brazilian territory. Although this is a substantial chain, exclusive açai places have become rare in Brazil (interview 55 and 56). Once the main place to find açai, they have mostly shut down, with the exception of a few stores and this franchise, which serves a wide variety of snacks and sandwiches in addition to the açai.

Large companies are being introduced to the market. Frooty, which is certainly the largest açai company in Brazil, has grown exponentially. This company was founded in 1999, and was a key vector in the diffusion of açai culture in Brazil. It is reported to have taken in R\$ 80 million in sales in 2015.

The company operated until 2013 much like the smaller actors in the region that buy frozen pulp from a range of factories in Pará and reprocess and repackage it into individual servings and large bulk buckets in a factory in São Paulo. It sells directly to large retailers, but has also retained a presence at small retail outlets, which are still dispersed across the territory by small distributors (interview 55). As the company has grown, it has changed its modus operandi. By selling off part of its equity to an investment bank, it has acquired the capital to open up its own pulp factory in Pará, in an effort to verticalized its production system and gain control over its supply. At present, the company has a processing capacity of approximately 120 tones per day between its two plants. With the volatility of the açai market, this was a natural move for a company present in 20,000 retail outlets in Brazil and it intends to expand to the international market. In fact, Frooty has made its intention public that it intends to further gain control of its operations upstream by investing in the creation of its own monoculture plantations in the North. The company sees this upstream control as crucial to the stability of its expansion plans, which include a multitude of product launches and a new push towards international expansion (interview 55).

The Coca Cola Company, has recently entered the market with its own açai product which is a tetra pack juice mixed with bananas. This is part of the specialty line of the Del Valle brand and has used a different approach to securing its supply. In 2013, it

entered the market in 2013 and decided on a novel approach to securing a chain. It sought out a new supply hub, away from the crowded-out Belém region (much as Sambazon did by setting up its factory in Amapá). The Coca Cola Company decided to travel much further inland, and set up its supply hub in the State of Amazonas. According to the interview with their program manager, this logistical idea attempted to source sustainably in a new region and to spread out the eco-social benefits of working with native açai, as well as to locate extraction near to Manaus. Manaus is the place where Coca Cola already operates a large plant and this development with the açai made logistics more attractive. There they set up a full-scale development project, trained communities and invested in a sustainable development project. They worked in conjunction with the Natura corporation to ensure sustainability of supply, the social benefits of the scheme, and increase productivity whilst minimizing losses (which they claim to have reduced by 15%). The Coca Cola Company has signed a protocol with the State of Amazonas and this has been approved by sixteen development organizations<sup>20</sup>, including GIZ (interview 91).

The big players, Coca Cola, Frooty, Ecofresh and DeMarchi all trade directly with large retailers. Following global trends, the food retail sector in Brazil has become increasingly concentrated over the last decade, and increasingly controlled by multinationals, such as the Casino group, Carrefour, and Walmart. There is still space for independent retailers and smaller groups, but these are for smaller outlets dedicated to lower income categories. Large groups negotiate directly with bigger players, such as Frooty and the Coca Cola Company, as well as smaller actors such as Frootiva. This level of concentration has engendered a symmetrical trend towards concentration in companies that supply large retail outlets (interviews 55, 68, 83).

Interviewees report that it takes significant business acumen and reputation to enter into business with one of these large chains. Minimum orders are large, and the stakes are overall quite high. There is no space for smaller firms to grow slowly within these structures. All of the large actors interviewed have had corporate backers to support their growth into national retail outlets (interviews 55, 61, 59, 68).

As far as exports are concerned, all large companies interviewed did have an increasing appetite for international markets. Through their equity investors, they were made to modernize their international department and seek to attract international clients. However, this still represents a very small tranche of their business, on average something less than 10%, at best. Their aim is to export the 'mix' product, for preparing açai bowls, rather than any of the other products available, for example, in the US market. It seems, and this understanding is confirmed by what actors in California made clear, that only those actors who are willing to permanently trade in the US will have a chance of gaining access to that

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<sup>20</sup> <https://www.cocacolabrazil.com.br/imprensa/release/coca-cola-lanca-bebida-de-acai-com-banana-que-traz-projeto-inovador-de-transformacao-social>

market. This entails, according to one interviewee, setting up a physical presence, with stockage, as well as a local corporate structure, as well as a sales department and the assumption of insurance to cover contractual default risks (interviews 68).

#### 7.4 Embeddedness

The transition from Pará to the Southeast region is a stark contrast from the type of word-of-mouth bond that maintains relations in Pará. The Southeast has a 'corporate' way of doing things and this is a significant transition in how the network holds together ('network embeddedness'). Several interviewees claimed that their transactions between factories in Pará and smaller outlets in the Southeast are often done 'off-book' to avoid taxation and 'bureaucratic complications', though no individual actor did admit to such practices. These transactions are thus essentially trust-based, but relations are volatile, as it is rather easy to switch suppliers (interviews 50, 85, 86,87).

Larger companies keep these links much tighter, either through verticalisation or strict contracts. All of these companies stressed in their interviews that they need to have tight control over supply to ensure that their operations run smoothly. They claim that buying from factories openly results in too much of a variation in quality and prices, and in turn jeopardizes the stability of their product and their margins. Frooty initially relied on contracts with suppliers, but as it has grown and received capital injections, in order to set up its own factory in Pará. This has also been the choice made early on by Sambazon. This verticalization of the chain guarantees the maximum level of control over supply (interviews 55, 58, 59, 63, 70).

Ecofresh relies on a set number of pulp suppliers to provide it with the product year-round. It has chosen this more flexible arrangement to increase its supply base without making a large capital investment. Written contracts ensure volumes and pricing throughout the year, shielding the company from the very large price fluctuations that are characteristic of the açai trade. It is then up to the pulp factory in Pará to absorb the impact of these fluctuations, as well as to store the product year-round. It is not surprising that the Vaccaro monoculture visited in the Santarém region has become a prime supplier for this company. The Coca Cola Company has chosen to retain a third-party factory as its supplier and tightly control its interactions with that factory and the Ribeirinhos that provide it with açai. Through a mix of corporate controls and social investments, such as strengthening local governance and building schools, it hopes to improve livelihoods and control the production process. At present, Coca Cola employs a full-time employee at the community level to manage affairs on a daily basis (interviews 55, 58, 59, 63, 70).

What is clear from this variety of arrangements is that in Brazil's corporate environment, regular supplier-buyer relations are not sufficiently secure or stable to satisfy larger clients, who have tight rules to follow and large clients to cater for. The



Brazilian judiciary system is tremendously slow and unpredictable. It is nearly impossible to rectify this through the courts when a transaction goes awry, and even more unlikely that these remedies will arrive in time to avoid major losses. Therefore, either transactions happen very loosely, with payment upon receipt, or become more tightly attached through contracts or even verticalization. What determines this change in types of bond is the growth of the açai 'mix'-producing companies, as their own commitments to their clients become more fixed, and the stakes for non-compliance grow. Still, deterrents against non-compliance have more to do with loss of business and reputation than any actual legal remedy (interviews 58, 55). As companies grow, this bond becomes too loose and uncertain. Creating more controlled verticalized corporate structures becomes a trend, and they turn towards verticalization. This finding is very much in line with the Coase-derived theory (Coase, 1937; see Section 2.3 herein) of value-chain analysis, whereby concentration and verticalization occur when transaction costs outweigh and become higher than those entailed by increasing managerial control over other parts of the chain.

With the link between processors and retailers, there seems to be a division between the type and solidity of bond as well as large and small actors. Small-scale retailers have no problem switching suppliers, and will do so often (interviews 81, 83, 84). They make purchases from small-scale distributors, who carry a varied line of products, and who switch products. Due to having so much of the product mixed with other ingredients, in addition to the pervasive flavor of guaraná, customers, and therefore retailers, are not really aware of what brand they are purchasing, or able to compare between them. It would also seem that the market operates at the same level of relative informality as the rest of the 'small-scale' strand of the chain. These distributors are constantly visiting and keeping contact with their geographically defined customer base, and the strength of these ties lies in that proximity (interview 83, 86,85).

Large-scale retailers who sell smaller packages of 'mix' directly to consumers are very demanding of their suppliers, and set up tough conditions in their contracts. It is not surprising that only larger companies, with sufficient available capacity and capital, are able to enter into such agreements. Not only are there minimum orders and precise delivery schedules to be upheld, there are also chain of custody and auditing requirements that would exclude any actor that might have an 'informal' aspect to his business. Additionally, penalties for non-compliance are stringent. The companies that supply these retailers are those who tend to seek to verticalize their operation to control their supply chain. Therefore, chain embeddedness seems to become more formal and less relationship-based as we move away up the chain from its inception.

The entrance of larger actors has also increased the level of verticalization up the chain, with companies in the South either tying down suppliers with tight contracts or

setting up their own operations in the North. This shows a clear concentration of power in the hands of these large actors, but also reflects the demands of the large retailers to whom they cater. The chain of custody demands, the quality, volume and price requirements push these actors to control production of their main ingredient. The mode of extraction, which is small-scale, entirely informal and dominantly used, poses a challenge. It is not surprising then that monocultures have become so attractive to the majority of these actors.

Ensuring supply from a monoculture, whose mode of production mimics their industrial, corporate modus operandi is a very attractive proposition. In this context, the monoculture experiment visited in Santarém, and even the locally produced, monoculture açaí have no trouble getting clients. The monoculture form of production is the ultimate guarantee of control. On the other hand, companies with 'international identities', such as Coca-Cola and Sambazon do place a premium on the 'Ribeirinho', 'wild harvested' identity of the açaí culture. Yet they still need to create their mode of control with the supply. They have chosen to create firmer bonds with Ribeirinho communities through social interventions, this improves their social responsibility profile as well as securing and stabilizing their supply. Both of these large companies have chosen to set up businesses away from the Abaetetuba/Belém hub, to escape competition. This strategy could be questionable for its 'patronizing' or 'interfering' bias. Despite this it still seems to point to a modus operandi that answers to the needs of control and predictability of corporate markets while including Ribeirinhos and small scale, extractivist, semi-extractivist production (interviews 70, 91).

With respect to the territorial embeddedness of the chain, and the business environment prevailing in the Southeast of Brazil, we could perhaps describe the situation as a middle ground between Pará and the US. National issues that affect the environment in Pará, such as a slow legal system, difficult credit and complicated tax system, also affect São Paulo. However, the Southeast industry shows substantially higher levels of economic development, with better infrastructure, larger and more-prosperous market, and a much stronger web of ancillary businesses to provide logistics, packaging, and marketing support.

The Southeast region of Brazil is made up of four states which have 55.1% of national Gross Domestic Product (GDP). The State of São Paulo alone represents 32.1% of national GDP. In contrast to this, the State of Pará represents 2.1% of national GDP. Although still within the same country, disparities are such that one might believe otherwise. While the North region spans 3870 km<sup>2</sup> (only slightly smaller than the whole of the EU countries collectively) of mostly dense and unconnected rainforest, with a population of 15.8 million, and a GDP/capita of R\$ 14.18, the Southeast region spans 924.51 km<sup>2</sup>, with a population of 80.35 million and a GDP/capita of R\$ 29.72 (nearly double that of the North). Historic differences in settlement and development help to explain this sharp contrast between regions. Rio

de Janeiro was Brazil's capital for nearly five hundred years and has been always been its main trading and agricultural center, as well as, more recently, its industrial core (IBGE, 2012).

In addition to a much richer population, the Southeast has benefited by a developed business environment. There is a better infrastructure than the rest of the country which includes good quality roads, more-qualified labor, and the connected presence of a wider variety of ancillary industries, customers and suppliers that in turn facilitate the development of new products and their marketing. Unsurprisingly, 46% of the country's food processing industries are in this region (Itamaraty, 2005). A study produced by the Economist Intelligence Unit and the Centre for Public Leadership further highlights the disparities in business environments. By comparing each state in Brazil, it puts São Paulo first, whereas Pará is ranked at nineteenth (CLP and Economist Intelligence Unit, 2015). These disparities are often cited in interviews when businesses justify their investment choices (interviews 55, 58, 80, 84).

Another problem for the introduction of the açaí 'mix' made in Pará to the Southeast market is the geographical distance that separates these regions. As one interviewee put it, bringing the mix ready from Pará would be 'paying to transport water' (interview 56). The final product is indeed much more voluminous and heavy than the pulp alone, and this weight would make it unnecessarily expensive to ship South, in refrigerated trucks, which are particularly expensive to run. The lack of an adequate transport infrastructure is a definitive hindrance to the North's integration and ability to exploit the national market. However, Pará is physically closer to Brazilian States in the Northeast of the country, where larger companies also have a presence. It would make sense for the finished product to come from there directly to supply these markets. One interviewee, who initially began operations to send 'mix' from Pará directly to clients in the Northeast stopped after having repeated problems with quality control. He finds it more efficient to ship the raw material to his factory in São Paulo and redistribute from there. From this perspective, personnel issues make it impossible to have advanced operations in Pará (interviews 84, 55, 58,59).

The small-scale açaí trade is different and it is important to highlight the cycle of economic growth that the country has seen until recently, with massive rise of excluded groups into consumer markets. Although there are no reliable figures available on the sale of açaí-based products in the region, interviewees seem convinced that the middle class (B) and lower middle class (C) the largest consumers. With nearly 50 million people entering the C class in the last ten years, the growth of the consumer base alone has been sufficient to sustain expansion of business (Neri and Souza, 2012) This expansion coincides with the rapid growth of small açaí businesses, and Toca do Açaí, which has stores across the Southeast region. For example, it is certain that this new-rich, middle-class are the main local açaí consumers at the present time. However, the form of consumption of these

lower-middle classes is very different from that of the upper-classes, and has a marked impact on the quality of the product supplied (interviews 54, 55).

Despite its decidedly more-welcoming business environment and the prosperity and size of its consumer market, the Southeast region is not immune from the plethora of difficulties that plague Brazil's economic prospects. Brazil ranks at 116th in the World Bank's Doing Business rating <sup>21</sup>. Taxes are high, and tremendously complex. An interviewee explained, when asked if he honored his tax obligations, "I hope so, there's so much change, no one is ever sure" (interview 66). The amount of money, time, and energy spent trying to keep accounts in order could certainly be better spent pursuing the company's core business. According to a recent report by the The Organisation for Economic Co-operation and Development (OECD, 2015) report, 'a benchmark manufacturing firm requires 2600 hours per year to comply with taxes, as opposed to 356 hours per year (nearly an hour a day) in the average Latin American country and 184 hours per year in the average OECD country' (OECD 2015).

In Brazil, all companies have a difficult time dealing with its labor legislation, which is constantly skewed towards employees, irrespective of the merits of the case. One interviewee relates having had to make large pay-outs to two employees alleging poor working conditions for having entered the refrigerated portions of the plant, which, according to their posts, they would have been banned to do anyway. Similar cases are common, firing underperforming staff is expensive, creating a labor scenario that is not only insecure and expensive, but that does not reward efficiency and is instead negatively incentivized. Additionally, educational levels are consistently amongst the worst in the world, even in the prosperous State of São Paulo (interview 59).

Interviewed actors also find the lack of legal support affects their ability to negotiate their employment rights with each other. Several interviewees, (when discussing the difference between the co-packer based model in California and the more-concentrated production model that exists in Brazil) identified the lack of contractual security as the key hurdle towards this type of arrangement. One interviewee even went so far as to claim that this is how 'Bony', one of the pioneers in the business, lost his company. The formula and know-how were simply incorporated by his co-packer, who prevented him from running the business. This lack of contractual security is undoubtedly a barrier for innovation in the Brazilian market. Without incentives towards specialization, efficiency is lost and costs are high. This model also discourages innovation. Each new product launch requires the company to invest in machinery and 'know-how', as well as engage specialized co-packers with the capacity to create these products and produce them with little risks and at a low cost (interviews 55, 59, 84).

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<sup>21</sup> <https://data.worldbank.org/indicator/IC.BUS.EASE.XQ>

Overall, Brazil's value chains are excessively verticalized, due to the high transaction costs involved in working across fragmented groups. This is an aspect of the chain to where the traditional 'Gereffi approach' (Gereffi, 1994) that applies Coase (1937) to analyze transaction costs seems particularly pertinent. Although no interviewees mentioned this factor specifically, the OECD (OECD, 2015) report highlights that the tax structure in Brazil further encourages excessive verticalization.

Innovation is also low. The current tax system is heavily based on indirect taxes and a corporate tax that predominantly focuses on turnover companies and as a consequence punishes fragmentation. This would help to explain why there are practically no co-packers operating in the Brazilian food production networks (OECD, 2015).

A large proportion of innovations published in scientific papers and technical advances in Brazil do not have sufficient impact. A survey of the Brazilian production regarding açai reveals a host of innovations, in technical processes, but also in product development. The science exists for the production of everything from probiotic açai products to candies (interview 62). Yet none of these products seem to be launched. In fact, the level of innovation in the food industry in Brazil seems, upon comparing retail outlets, markedly lower than in the US. These empirical observations are confirmed by an OECD (2015) report called 'Brazil 2015 - Overview'. This explains that although policies exist to encourage innovation as well as research and development (as seen in the high quantity of science being published), the lack of competition in Brazil's highly concentrated marketplace creates a disincentive for innovation (OECD, 2015).

The highly concentrated retail-end of the chain not only constricts innovation, but also it creates barriers for the ability of new actors to enter the market. Following the relative expansion of Brazil's economy in the 1990s, the retail sector quickly saw a wave of mergers and acquisitions that concentrated the market into a handful of players who were internationally owned. This process of concentration mirrors what has happened in the last two decades of globalization where there are large retail chains consolidating to gain bargaining power and efficiency. Since 1995, when Brazil first opened itself to foreign (international) investment, international groups have incorporated themselves into the national markets. Presently, five large groups make up 60% of the Brazil retail market. Four out of these five groups are foreign (internationally) owned<sup>22</sup>. This level of concentration was achieved through acquisitions of large local groups, but also of small chains. In the Southeast, these five groups now have tremendous power over the food processing industry.

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<sup>22</sup> [http://www.labcom.fau.usp.br/wp-content/uploads/2015/05/1\\_cincci/016.pdf](http://www.labcom.fau.usp.br/wp-content/uploads/2015/05/1_cincci/016.pdf)

The dominance of internationally owned companies has several consequences for the açai chain (de Oliveira and dos Santos Delgado, 2015). Interviewees relate that substantial capital investments are required to be accepted by one of these large groups. While the market in the US is also relatively concentrated, though less so, (four large groups control 37% of the market<sup>15</sup>), the premium market does value small producers and local retailers. In Brazil, this market segment is non-existent, pushing anyone who wants to enter into retail outlets towards these large conglomerates. This means that without a substantial capital investment, none of the small industries that supply mix have a chance of upgrading (interviews 55, 61, 62).

Another impact for the açai chain could be positive because it means that many of these groups have a chain of custody requirements. Interviewees explain that Walmart pioneered this trend and demanded that their suppliers present full reports about how their products are made, all the way through to extraction of materials. Large retailers, (by a varying degree and with Walmart being by far the most thorough), now require assurances about the environmental and social impact of their product lines. One interviewee, who purchases from the large monoculture in Santarém, stated that they have been concerned by their environmental track record because recently they were accused by authorities for alleged deforestation. In a country with incipient consumer activism, this type of control could be key to sustaining açai's eco-social benefits (interview 59).

Companies in the Southeast are relatively absent from export markets and the Brazilian economy due to their poor business environment. Brazil represents less than 1% of global trade, even though it has the World's eighth largest economy - International trade also represents a meagre 17% of GDP (Viola, 2017). Although Brazil has, since the mid 1990s, opened itself to investment, its participation in commercial flows remains weak. It is an economy that relies on the size of its domestic market primarily for growth. With few exceptions, it has not succeeded with its integration into existing or arising global production networks, other than through the supply of low value added commodities. A key hurdle towards better integration of Brazil and the growth of its exports is the difficulty businesses face moving merchandise in and out of the countries.

Customs regulations and legal duties within Brazil are costly, complicated, and long delays are the norm. Exportation is slow, expensive, and requires a list of permits. Importation is even more complicated. This means that to integrate globally, actors need to export goods, but also import ingredients and parts easily to manufacture products competitively. According to the World Bank, by bringing its border administration and transport and communications infrastructure halfway to the world's best practices, Brazil could add US \$ 84 billions of trade yearly (Canuto, 2014; Martins, 2015). In this context, exporters lose competitiveness and agility. When Brazilian companies compete internationally, they are more likely to improve their position internally. This was certainly the case for Frootiva, a local company that

sells dried açai cubes as snacks. Its parent company, BlueMacaw, has been active as an international trader of açai for several years, and has had access to the wide variety of açai-based goods. With financing from a local autocracy dedicated to small businesses and technological input from ITAL, the Food Technology Institute of the State of São Paulo, it was able to develop this new product. The launch was a success and sales have grown steadily (interview 68).

Companies in the Southeast have the capacity to produce quality products, however it appears that they are fighting a losing battle when it comes to adding value to export products. To enter the US market with their value-added 'mix' product, interviews with actors from the Southeast explained several problems. They stated that to set up operations in the US, they need to have stock there, and perhaps even move production there, to ensure they can uphold contracts with large retailers. This has been a requirement of US buyers to consider stocking their products. With customs clearing and logistics representing such a challenge, getting a frozen, highly perishable product on the shelves in the US is no small feat (interview 55, 59).

Brazil's export agency, APEX, does not however have any specific programs aimed at supporting açai specifically, or Amazonian fruits in general. Although they have promoted some institutional videos advertising the region's unique gastronomical potential, however, support is sparse, and not tied to a cohesive strategy throughout the chain. According to an interview with the technician responsible for the fruit export program, their focus is on raw fruits, and they have no specific actions aimed at promoting value-added products. Their main focus is ensuring Brazilian products have the same quality, and that companies are as rigorous and regular in their dealings with international buyers as their counterparts in Chile. This interview explained that Brazilian açai exporters have very little institutional support, at all levels in the chain, to enter international markets (interview 57).

## 7.5 Consumers in the Southeast region of Brazil

Consumers in this region eat açai almost exclusively in its 'mix' form. This product is more common in Rio de Janeiro where it is mixed in front of customers, whereas in the rest of the region a ready-made blend is available that has been processed. The product marketed in the US is sold in a purer form and higher grade than the product available in the markets of the Southeast of Brazil (pure pulp of the 'grosso' variety or powder compared to an industrialized mix with sugar and guaraná syrup made from 'fino' or 'médio' pulp). Several interviewees confirmed the existence of a class divide in the mode of consumption of açai. According to this perspective, upper class consumers prefer their açai in a purer form and a higher grade which is mixed 'only' with guaraná syrup and fruits; whereas consumers in lower class tend to blend their açai with powdered milk, sweetened condensed milk and other rich and sweet additives (in addition to the guaraná syrup), making the original açai flavor

practically unrecognizable, and the initial, relatively healthy snack, a calorific ‘bomb’ (interviews 55, 54, 83). Consumers eat their açai at small local retailers, stocked by distributors who themselves buy from small local factories.

The health benefits of açai remain very hard to substantiate. Several interviewees highlighted this understanding. The focus group reported that while açai is associated with the sports culture, consumers are generally unaware of what the actual health benefits might be. All participants in the focus group were quick to point to açai’s healthy reputation and its ‘energy-giving’ properties, nobody could actually name any of its health benefits or properties. This can be illustrated when a high-ranking executive from a large açai firm was not aware of what an anthocyanin is, and of açai’s high content of it (interview 55). For the Coca Cola Company, based on their research, the introduction of their new açai-based juice required an entire reintroduction of the fruit and its benefits to Brazilian audiences. They focused on introducing the concept of the ‘superfood’, around which the entire marketing/identity of the fruit is based in the US market. In the focus group, this knowledge was understood (interview 91).

An aspect of the ‘açai bowl’ that does occur often is its ‘energy-giving’ and calorific content. This product is always mixed with the guaraná syrup, and therefore the sugar content has been associated with açai. Frooty’s extensive consumer research also confirms that people are generally unaware of açai’s properties and health benefits (interviews 55, 67). That explains why the açai that goes to foreign markets is a higher quality than consumed in Brazil. With so many additives and ingredients, the açai’s flavor and nutritional profile lose importance.

It has been confirmed in interviews with academics developing new açai-based products at ITAL, a prominent food technology research institute in the State of São Paulo, that consumers are in fact wary of açai’s earthy flavor. A researcher developing gummy candies with açai could not find subjects to taste test her invention outside gyms and health-centered circles. The general public was put off by the açai flavor and not willing to try. The Toca do Açai interview also discovered this and according to them, increasing the concentration of the açai used in their product (the açai that is sold here is the lowest grade, fino, at 9% concentration) would not be well received by customers. Though açai does have a distinct flavor, this is a curious discovery. Perhaps Brazilians have an inordinately sweet and unadventurous palate or could be the grade of product in the South so low that consumers have been put off by its flavor? It might be that consumers are accustomed to açai in bowl form, and are resistant to change. These are issues that have been discovered throughout this study (focus group). There is a general resistance towards pure açai, or açai in other forms than in bowls and this illustrates the lack of diversity in açai products in Brazilian retail outlets. While in the US açai was present in everything from candies, energy drinks, smoothies, to chocolates, to yoghurts and cereal bars, in Brazil açai is mostly found in the frozen aisle of the



supermarket in São Paulo. Certainly, the odd granola bar, snack, and now juice is also available, but the volume and popularity is significantly lower in its country of origin.

Açaí's Amazonian heritage and eco-social profile also do not seem to generate much interest on the part of consumers. Although some companies' marketing strategy involves referring to nature, or the Amazon (Toca do Açaí goes for an indigenous aesthetic, while Ecofresh has a nature theme), that is not necessarily the case. Frooty's internal research, evidence provided by all interviewees, as well as the focus group shows that, though consumers are aware that açaí comes from the Amazon, they have little knowledge of its origins and cultural history (interview 66). Amazonian culture is very much unknown throughout the whole of Brazil. Other Amazonian products are unknown, and the cuisine is only now slowly starting to appear nationally. In many respects, açaí is more of a Carioca beach food than an Amazonian food (focus group).

Amazonian culture is starting to register as a marketing factor in Southeast Brazil. Celebrity chef Alex Atala, number 30 on the World's 50 Best Restaurants list<sup>23</sup>, is known for creating dishes with Amazonian ingredients. A few restaurants in São Paulo have appeared which serve Amazonian dishes. Markets are beginning to stock Amazonian products, such as the jambú herb and tucupi, a manioc stock. Though this is still a niche trend, it is being actively supported in Belém. It could be possible to bring new visibility to the region's culture, its produce and open up markets for Amazonian commodities that are harvested and produced by Ribeirinhos and small-scale producers. Apart from the already more familiar cupuaçú, all interviewed actors find these ingredients too niche to warrant investment in new product lines (interviews 55, 58, 59).

Organic açaí has begun to appear in retail outlets because Sambazon has recently entered the market, however, this still accounts for a minority of sales. Overall, organic sales in Brazil are very low compared to the US. Brazil's lower education threshold, and less open and competitive marketplace might help explain why levels of consumer activism, and general information demands around products remains so low compared to the US market. While ecosocial impacts have begun to interest consumers, they are still not influencing purchasing decisions (interviews 55, 67). Other certifications, such as Fairtrade, are non-existent in Brazil. There are very few products in existence that use their environmental benefits to convince consumers (such as Rainforest Crunch in the US, for example). However, interviewees relate a growing interest in eco-socially responsible products (as does recent consumer research) (interviews 55, 67, focus group).

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<sup>23</sup> <https://www.theworlds50best.com/list/1-50-winners#t21-30>

In the last two years, new offerings of processed organic products have appeared on the market, and small organic farmers' markets have become increasingly popular. Undoubtedly, this is still an elite, niche market, much as it was initially, and to a great extent still is in the US. Sales in the US are now large enough that the organic market itself is stratified into mainstream and premium. Though research has discovered that conversion into 'intention to buy' of this newfound consumer awareness remains low it is possible that the organic market as a whole does have consistent growth throughout the whole of Brazil. This growth is estimated to be 30 to 40% per year, the overall açai organic market size is only R\$ 2.5 billion, or 0.4% of the overall market (compared to 4% in the US), of which very little are processed goods (Welle, 2015). At present there are no other types of certification, such as Fairtrade, or Rainforest Alliance, that serve to inform and differentiate these products for consumers in Brazil. It is possible that companies such as Coca Cola company, following a first phase of the marketing that focuses with the 'superfruit' narrative, could then use the ecosocial narrative as a next step in their strategy. Meanwhile, for those companies that cater to mainstream markets, this is not yet a realistic proposition.

For the açai value chain, this means that upgrading into higher grade, purer, or healthier açai products, or marketing based on Ribeirinho identities is likely to remain very niche. This would require a great deal of information, and a dramatic change in the portrayal of the açai products, from beachy/sporty to Amazonian. However, there has been growth with high value-added niches and there is increasing room for these types of product to reach markets, as we see with the arrival of Sambazon. Local companies do not have the risk-propensity to innovate with new product lines, particularly Amazonian ones – especially because their marketing is not tied to that identity. Frooty is now labelling itself a 'superfruit' company, expanding its product range, but further away still from its Amazonian origins. This has a dangerous impact on the Ribeirinho component of the chain, whose identity is being 'fetishized' away from the product.

## 7.6 Value Capture

Domestically, it is possible for a small company to grow from a small business selling açai mix to small retailers, to a mid-size company supplying large retailers. This can be illustrated by Frooty, a pioneer in the market, which grew organically and is currently by far the bigger player in the market. It has relied on a sizeable investment from a financing institution to grow to its current capacity. It is now offering a much wider variety of products, from low-sugar to high-protein mixes, as well as adding new flavors to its range.

Ecofresh has found a space in large retail outlets in a very short amount of time. Again, this did not happen organically, but rather through a large capital investment made by an investment fund (much as we saw happen with Sambazon in California

as well). Other small businesses did not show any perspective of moving into retail. It is important to note that there are no large corporations trading frozen açaí products in the local market, which certainly is an important factor in the lack of space for smaller actors.

There are significant barriers involved in moving from a small-scale business that caters to small retailers through distributors, to dealing directly with the big retailers that dominate markets throughout Brazil. Barriers include: high entry requirements; the need for distribution centres across the territory; minimum volumes and stringent quality requirements. Actors explain that even getting through the door to present products to these larger businesses is challenging. In the hinterlands of large cities, there is a lower concentration and the potential for access to retailers could be higher. With credit sparse, high levels of verticalization in retail and the absence of co-packers, barriers to entry are high.

Other companies are also adding new products. For example, DeMarchi is following suit with its own sugar-free offering. Ecofresh has produced popsicle sticks as well as ice cream-like packaging. Variety is nonetheless still low, and companies do not express any interest in entering new segments, outside of the 'mix'/frozen isle department. Perhaps consumers' traditional form of consumption and lack of appetite for novelty, as well as the low levels of competition hinder innovations on this front. Because co-packers are rare in Brazil, adding another type of product would have very high capital costs, in setting up a completely new processing line. With such fixed consumer habits around the way açaí is eaten, it would be a major gamble. Ecofresh currently markets a 'cupuaçú cream' which it says is quite successful. Toca do Açaí also serves cupuaçú cream.

Other Amazonian fruits or flavors are not in the ambit of most companies because they are not known to the Brazilian public. Not only this, but no single actor, including large players such as Coca Cola, would be willing to take on the marketing challenge of introducing an entirely new flavor to the public. Overall, none of the interviewees showed an interest in exploring new flavors. Reasons for this could be that investments in marketing would be too high and risky, or, because supply chains are not sufficiently mature, so this did not seem like a strategy worth adapting to these companies. Perhaps, the costs involved in setting up new product lines, and the concentration in retail that discourage innovation pose a true barrier to this type of upgrading strategy. Certainly the lack of interest in Brazilian society for Amazonian culture and ingredients is a strong disincentive.

It seems that also in the Southeast companies have not managed to secure intermediary roles within the chain, such as having co-packers for international brands. Despite the non-existence of competent companies, such as Liotécnica, (who have the capability to produce powders and extracts), most of these products

are still made mostly abroad. Undoubtedly the 'Brazil Cost' plays a crucial role in impeding this kind of integration into globalized networks, leading foreign actors to prefer purchasing and transporting frozen pulp than acquiring products with added value.

The existence of so many local firms that produce 'mix' products, and the reluctance of all interviewees to purchase anything but frozen pulp from the factories in Pará confirms the difficult situation of those factories discussed in the previous chapter. There is not only a problem with geographical isolation, but also, their inability to produce with the desired quality, hampers their ability to move up in the chain and add value to their product. They are squeezed by demanding buyers in the South, and difficult conditions such as irregular supply and prices in the North. Another potential problem is that there are tax issues that could potentially play a part in hampering Pará's factories upgrading. Furthermore, all local actors report that they do not stock their pulp locally, but rather require that factories in Pará supply them all year. For the cash-strapped companies in Pará, this is a significant barrier, which likely keeps smaller actors from benefiting from entering into business with these larger-scale buyers.

Although a two of the larger-scale actors in Brazil explained in an interview that they are beginning to look to exploit international markets, this activity has been incipient so far. Internationally, Brazil's share in the açai trade relies on shipping frozen pulp to companies abroad for transformation. This inability to upgrade by adding value mirrors the general prospects of the Brazilian economy, selling commodities with little value added and unable or unwilling to climb up. Companies are only now beginning to look at international markets, and sales are still a very small percentage of overall turnover. This might begin to change quickly now that two of the largest players, Ecofresh and Frooty, have professionalized their international department and decided to invest in export markets. Still, there seems to be little movement and lower rungs of the chain, producing intermediate goods, to seek integration into global networks.

## 7.7 Conclusion

The Southeast of Brazil is where açai's identity was made into the product that is known across the World today, both in processing and consumer myth, as summarized in Table 7.1 below. In this way, the passage of the product is not only important because of the volume of trade it absorbs, but also this is the region that was the catalyst for the process of consumer myth reconfiguration that made it appealing to Western audiences. This could have been done outside of a specific corporate strategy, not accompanied by a matching entrepreneurial drive and due to the region not being integrated into the global chain.

Due to the local market absorbing 40% of all açaí production, its relation to actors in Pará plays a formative role in the configuration of the chain. Problems exist for upgrading opportunities for actors in Pará these are the looseness of intra-chain relations; small companies dominating trade; and the setting in which actors are embedded fixes positions. Actors in Pará, who cannot move up the chain, are unable to offer new products, and have very little space to improve the efficiency of what is a rudimentary industrial process.

Amongst the key reason why factories in Pará do not break into the açaí 'mix' market is that logistics do not make this a cost-effective option. The production of the mix is closely tied to packaging and branding, and in Brazil's unsure business environments, small actors prefer to concentrate their traditional practices.

Whilst local companies grow, improve their processes and develop variations of the same product for supermarkets, they are slow to explore new product lines or broach the international market. This part of the chain, set in a more palatable business environment (territorial embeddedness) plays a key role in driving development in Pará, thousands of kilometers away.

Changes in value capture here can have a great impact on Ribeirinho livelihoods, and should be considered as key levers of development interventions. The majority of the trade remains largely at the hands of small businesses.

Businesses in the Southeast have begun to grow and cater to a small group of very large retailers with international forces, they have found it necessary to better manage their own supply chain. The value-chain theory explains that when transaction costs become an issue, companies verticalize.

This has led several actors to either set up their own operations in Pará or create tight contractual bonds with their suppliers. Although these contracts ensure a fixed clientele for factories and allow them some level of predictability, they also constrict their ability to set prices. When volatility of raw material increases, factories in Pará that have tight contractual sales arrangements become particularly vulnerable. Additionally, the perception that these companies are not sufficiently professional, added to the logistical hurdles involved, seriously constricts their opportunity to upgrade into the mix market. Overall, with an insecure business environment as that of Brazil, verticalization works to mitigate transaction costs, very much in line with the traditional VCA reasoning and Coase's (1937) teachings. Though verticalization does serve to improve coordination, and generates development by enabling the chain to grow and solidify, it also works to constrict mobility and discourage innovation.

Because of this greater need for control in trading conditions and increased volumes, large local actors are welcoming the entrance of monoculture actors to the base of supply chain. As consumers have little knowledge or attachment to traditional modes

of production, there is no down side to this new mechanism. International groups that are present in the supply chain, either in the form of retail actors, such as Walmart, or as industrial players, such as Coca Cola, have imported corporate cultures that do place a greater value on the sustainability of products' chain of custody.

The Southeast is the cultural region, with its media groups and national influence, in addition to its industrial and consumer center. This is where the taste for açaí was popularized, and its identity reshaped into something palatable for Western audiences. This new identity was crucial to its popularization, but it also stifles opportunities for actors in Pará. The local market consumes açaí in a different form and is uninterested in higher grade or quality açaí, and not preoccupied with the social and environmental impacts of their consumer habits. The product's Amazonian origin seems to not play a significant role in the product's acceptance. In general, an Amazonian imprint is not popular, nor is there much appreciation for Amazonian culture. Considering that the highly verticalized production mode in the region inhibits innovation, it is very costly to try new things and launch new products, and launching new flavors is very risky.

There is a consumer base that could be willing to pay a premium for organic and environmentally sourced products. This is nevertheless a very small market, with an uncertain future. As in the US with the organic market, we see a class division in consumption habits, with the consolidation of a premium market willing to pay for the exclusivity of wild harvested, truly sustainably and, most importantly, artisanal products. There is also a nascent interest in the region's gastronomy, fueled by a couple of celebrity chefs, might open space for new products to find favor in the region. In this context, the potential for growth in other açaí products or products containing Amazonian commodities seem to be wholly underexploited. This reinforces the notion that perhaps the creation of monocultures might not altogether annihilate traditional production modes, as long as these are adequately aimed at niche markets, with proper certification and a compelling narrative. Fostering linkages between producers in the North and companies with marketing power and good incentives, launching products aimed at luxury niches, could form a virtuous trade pathway for açaí and other Ribeirinho products. Whether these niches would be sufficient to sustain Ribeirinho livelihoods remains to be seen.

Though there are opportunities for new niche products, and there might be demand for a wider array of Amazonian goods, innovation remains very low. New variations of the same mix products are now beginning to hit supermarket shelves, but these are still very similar to the original. The fast declination of new flavors across a plethora of products, as seen in California, is far from a reality here. With a highly verticalized retail environment, small enterprises have a difficult time breaking into the market. Even the larger companies are reluctant to innovate in an uncertain business environment, where coordination across companies is difficult to achieve and new product lines must be paid for entirely by the company. In the absence of

co-packers to allow companies to venture into new product lines without these upfront costs, innovation is likely to remain low. In an insecure business environment (territorial embeddedness), risk taking and innovation are low.

Finally, this part of the chain, despite some growing effort from the larger actors, remains somewhat disconnected from the international market. Though the açai identity we see abroad is crafted here, local companies play no part in international trade. Although local companies function in an improved business environment and have sufficient access to technology to develop new products, the high levels of verticalization in the local industry and the hurdles that exporters face to integrate to international production networks seem to discourage inclusion. Only these large actors who market finished goods and have sufficient capital to set up an operation in a foreign market, seem to be able to make the leap. Moreover, historical isolation of the Brazilian economy makes entrepreneurs unlikely to explore foreign markets, even in neighboring countries.

Table 7.1 Analytical Matrix for the Southeast

	<b>Territorial embeddedness</b>	<b>Societal embeddedness</b>	<b>Network embeddedness</b>	<b>Consumers</b>
<b>Relation to chain creation</b>	<p>A much more prosperous consumer market, and more mature industrial complex has allowed the chain to grow in ways not possible in Pará, with more sophisticated products and marketing.</p> <p>- to deal with seasonality, companies here have begun to source from other regions</p>	<p>Local entrepreneurs, in a more mature setting, were quick to reproduce the Gracie success and launch their own products - local entrepreneurs are more aggressive than in Pará.</p>	<p>While the dominant, small-scale trade is largely informal still, and negotiations are on a 'spot' basis, as the companies grow, relations become more rigid</p> <p>- a highly concentrated retail led lead actors to enter direct retail and specific distribution, before seeking out mainstream retail distribution</p>	<p>The formation of a new identity/myth for consumers in this region was the main driver of chain formation beyond Pará</p>
<b>Relation to chain configuration</b>	<p>- companies here prefer to mix their own product, rather than allow companies in the North, who have developed their capacity, but are not trusted by actors here to deliver</p> <p>- the still relatively poor business environment (when compared internationally), and lack of integration into global chains keeps this leg of the chain isolated from the global chain</p>	<p>- The Gracie açaí mix remains unaltered, and the risk-aversion and lack of interest in innovating keeps the chain as it is, larger, but mostly unchanged for decades</p> <p>- small businesses are accustomed to dealing with informality, explore the market without any support and often times still informally</p> <p>Corporate Social Responsibility is not an important issue in national business circles, which means that local businesses are not as preoccupied as international corporations with social impacts of chain</p>	<p>- small businesses continue to take risks and trade often informally with small cheap suppliers in Pará, but must have formal documents in order to supply local retail, keeping the chain's diffuse configuration in place</p> <p>- larger companies concentrate all their activities in-house, instead of relying on a web of suppliers</p> <p>- larger companies focus their transactions on few supplier, with whom they have more official and constant bonds, and tend to seek more captive/verticalized relations to ensure supply</p>	<p>- Until today, açaí is consumed in the same form, mostly at small retail outlets</p> <p>- Lack of consumer concern of health and quality allow producers to source based on price and ignore quality</p> <p>- Consumers consider açaí a snack to be had outside the house, and most sales continue to be done in small retailers rather than directly in supermarkets</p>



<b>Relation to upgrading</b>	<ul style="list-style-type: none"> <li>- jumping from a small processor to a larger one, by going into direct retail, requires significant capital input, which must be done by equity investments, since credit is sparse</li> <li>- the highly verticalized business model stifles innovation</li> </ul>	<ul style="list-style-type: none"> <li>- businesses do not feel that they can manipulate consumer myths and form demand for new products – they see themselves more as producers than brands</li> <li>- Businesses have only now decided to take the risk and begin to seek to export</li> </ul>	<ul style="list-style-type: none"> <li>- concentration at the retail level constricts market entry for new actors who want to go from small distributors to selling to consumers through retailers</li> <li>- for companies to grow and enter larger retail spaces, changing bonds with açai suppliers in Pará from loose to contractual is essential</li> </ul>	<ul style="list-style-type: none"> <li>- lack of consumer interest in Amazonian origins precludes the launching of other offerings with other ingredients</li> <li>- businesses are discouraged from launching different product lines containing açai because of a perceived lack of consumer interest</li> </ul>
<b>Development outcomes</b>	<ul style="list-style-type: none"> <li>- the region's better business environment has allowed the chain to solidify there, greatly increasing (nearly doubling) demand for açai, with great positive impact for Ribeirinhos</li> <li>- the chain also sustains many businesses in the region, having become a staple there as well</li> </ul>	<ul style="list-style-type: none"> <li>- although local businesses were savvy enough to explore the new, popular açai identity, they are unable to capture even more value by diversifying their product lines significantly through consumer myth building</li> </ul>	<ul style="list-style-type: none"> <li>- local businesses and their ability to dominate the informality/unreliability of the açai supply in Pará while distributing to a host of local retailers keep the chain flowing and generate significant development in Pará and in the Southeast</li> <li>- concentration at the retail level hampers innovation, with smaller players blocked from upgrading without prohibitive investments</li> </ul>	<ul style="list-style-type: none"> <li>- the formation of a consumer myth enabled the chain to take form and generate substantial development, both here and in Pará.</li> <li>- the lack of myths related to aspirational Amazonian identities in this consumer market precludes exchange value formation for Ribeirinhos</li> </ul>
<b>Policy lessons</b>	<ul style="list-style-type: none"> <li>- positive development outcomes can be reached at one place through industrial development far away, where conditions are better</li> <li>- lack of contractual security makes businesses concentrate too many functions,</li> </ul>	<ul style="list-style-type: none"> <li>- entrepreneurs who have the ability to form and propagate consumer myths, and not only process goods, are crucial to chain development</li> <li>- investing in consumer myth building through cultural products is a powerful way to foster value capture and regional development</li> <li>- the presence of</li> </ul>	<ul style="list-style-type: none"> <li>- eventually, for the market to grow, businesses require more contractual security in their supply chain – companies stuck between the formal and informal need special support if smallholder NTFPS are to remain active players</li> <li>- too much concentration at the retail level can drive concentration across the chain, and prevent actors</li> </ul>	<ul style="list-style-type: none"> <li>- the reconfiguring of consumer myths can be a valuable way to form markets for NTFPs</li> <li>- however, substantial exchange value formation requires the original cultural universe to have significance for</li> </ul>

	<p>which stifles innovation/risk taking</p> <p>- the integration of the Brazilian economy into global markets could improve the Southeast's ability to capture value from the chain</p>	<p>international players in the region is an important driver of CSR measures that seek to safeguard positive social outcomes of chain-internationalization drives behavior change in the business community and should be encouraged</p>	<p>from upgrading or entering the chain at all</p>	<p>consumers</p> <p>- niche consumer markets for sophisticated Amazonian products could help Ribeirinhos retain a place in the chain against the trend towards monocultures</p>
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## Chapter 8. THE UNITED STATES AND CALIFORNIA - CO-PACKING, 'BEACH BUMS' AND 'YUMMY-MUMMIES'

### 8.1 Introduction

This present chapter follows the structure of previous chapters, first recounting the açai value chain formation, and then tracing its contours. It explores its embeddedness in the local context within California, before exploring consumer perspectives, to establish how these factors have contributed to the formation of the chain and how it is sustained in its current configuration. We also seek to draw out development outcomes, and to extract policy lessons that can be valuable for chain development endeavors.

The US is the largest international market for açai berries (Menezes et al., 2011). It has sales of approximately 120 million US\$ per year (Kingsley, 2015). In California's coastal towns, açai is present in juice bars, specialized 'bowl' shops, and a host of industrialized products at a variety of retail outlets. Also situated within California is the leading açai firm in the country, Sambazon. The business environment here is vastly different from that in either Pará, or the Southeast of Brazil. The configuration of the chain varies a great deal, there is a diffuse mode of production and diverse product types are available.

It is important to explore how the agility of the local industrial complex, the prosperous consumer landscape, financial and institutional support for start-ups have made the introduction of açai relatively easy. The US is renowned for its entrepreneurial culture, and starting up a new business is a much easier and socially desirable endeavor than in the previously discussed locations (Chapter 7). A number of support institutions tailor solutions for start-ups. Additionally, the food processing landscape is made up of a web of interconnected and highly specialized companies. Each of these is devoted to one aspect of the production and marketing process, that operates in an orchestrated fashion to bring products to market. This structure reduces risks, the need for large start-up capital, and allows individual actors to go into market counting on the established goodwill and 'know-how' of existing players. California in particular, has a hub of food companies, an agricultural powerhouse, and is very receptive to start-ups. This business environment encourages innovation, and maximizes value capture locally.

The positioning and marketing of açai are possibly important for understanding the quick and pervasive uptake in this US state. The superfood accolade, along with the strong association with sports, beach, and healthy lifestyle, all integral to the California way of life, has been important for its success. This chapter provides results from intelligence gathered from retail outlets, a focus group, and secondary

data about consumer trends. It demonstrates how the positioning strategy adopted by leaders in the market, particularly Sambazon, have been crucial to açai's acceptance. Consumer activism and behavior have also had important consequences for the sustained inclusion of Ribeirinhos in the chain.

Eight interviews were conducted with leading firms in the sector, from actors who occupied a variety of roles. The data from these interviews have been complemented by extensive research to produce corroborative secondary data. In a competitive business environment, and with limited time, accessing key players was certainly a challenge. However, with each company having diverse experiences, and the existence of ample secondary data, it was possible to construct a solid picture of the chain at this level. It was, however, impossible to obtain detailed information about costs and margins, as interviewees remained very guarded about their business secrets. This challenge is in contrast to the frankness encountered at the base of the chain with the Ribeirinho interviewees.

## 8.2 Tracing chain formation: how did açai get to California?

Although açai had already meekly found its way into the American market, it was around fifteen years ago, at the hands of brothers Ryan and Jeremy Black that it made a more-marked entrance. These two young surfers went to Rio in 1999 to celebrate New Year's Eve and encountered the thriving açai culture. They discovered the myriad juice and bowl shacks dotted across the city selling açai to replenish surfers and athletes. After some hesitation, they travelled back to Rio, tracked down the source of the product in the Amazon, and found a sufficiently professional supplier to export a container to the US (the source was the Japanese cooperative at Tomé Açú that has been mentioned in previous chapters), packed in the small plastic bags they had seen in Rio, with the Sambazon brand. While sorting out their supply, they also discovered the product's important conservation and social benefits.

When the first container arrived, the brothers went door to door, to small juice shop owners across California, to sell their merchandise. They targeted the athletic, surf and beach markets, much as they had seen in Rio. Importantly, they highlighted the product's conservation upside. Initially, they set up stands at festivals and sporting events, where they encouraged people to taste the product. Growth of their business was slow at first, but eventually they secured a celebrity status for the product. This was precipitated by featuring at the Sundance film festival, and later by being featured on the highly influential television, talk-show 'Oprah', under the guise of a 'superfruit'. From the very beginning, their business was marketing, and not production. In Brazil açai became a fixture by accident and it took a long period of time to establish, whereas in California the consumer myth of this fruit was formed intentionally, over only a few years. The difference can be explained by the

entrepreneurial attitude of the brothers and central relevance of the product (Colapinto, 2011 and interview 70).

Açaí, (which had until then been a niche product), began to go mainstream and gain national attention. It was at this point that a number of supplement companies, many of them operating online, saw an opportunity, and began to market açaí as a miracle cure for everything from cancer to obesity. In 2005, Monavie appeared on the market. It created an 'elixir', with supposed miraculous health benefits, and created a direct marketing structure to sell it, in the molds of companies such as Herbalife, or Amtrak. In an instant, açaí was the new super-cure for all of America's health woes. It was claimed to be the one substance to combat all the 'evils' of sedentary lifestyles, pesticide exposure, smoking, and all other health problems associated with modern existence such as obesity (which is surprising considering açaí's high fat content).

The backlash was quick to arrive, of course. The government quickly controlled the internet scams, many of which were not only guilty of making hugely exaggerated claims about the product, but also of committing credit card fraud. The Food and Drug Administration (FDA) strongly refuted the exaggerated health claims. As a consequence açaí's reputation was seriously damaged. People became mistrustful of açaí's health claims, and continued to associate it with the online scams. Eventually the superfruit trend lost some of its traction, with people no longer being as enticed by miraculous, international ingredients, and sales took a dip (interviews 75, 70).

The controversy came and went quickly and this has been due to the constant marketing effort of companies which have continued to invest in the product. In particular the market leader, Sambazon, has managed to survive this wave of bad press and remain relevant in US markets<sup>16</sup>. In the meantime, the social and environmental benefits of açaí have played a major role in business-to-business marketing, particularly in securing shelf-space at eco-conscious retailers such as Whole Foods' outlets. Açaí's back-story that has linked it to environmental sustainability could have enabled Sambazon secure a US\$ 3.5 million-dollar loan for building a processing facility in Macapá in 2005. According to the founders of Sambazon, relationships with buyers and their local presence in the Amazon has allowed them to establish Fairtrade practices and retain some form of control over the actual sustainability of their supply chain. This aspect of the business environment has been crucial to ensure a role Ribeirinhos in the chain. However, the sustainability backstory remains obscured for consumers by açaí's beach superfood identity (interviews 75, 76, 81, 70 and focus group 69).

Açaí's presence in the US market appears to have been consolidated during the past ten years. Local Whole Foods retailers' aisles reveal a variety of products that contain açaí, from the traditional frozen pulps and smoothies, to cosmetics, cookies,

candies, and the still ubiquitous food supplements. The variety of açai products is significantly larger than is found in Brazil. One wholefood store had as many as 28 different types of products containing açai; whereas in São Paulo I discovered at best three or four products. Juice bars often have an açai smoothie on the menu (if not a bowl). Consumers are familiar with the product, and are accustomed to seeing it on the shelves. (Menezes et al., 2011) Smoothie bowls containing açai (the original 'açai bowl' invented in Rio de Janeiro), are a popular health food image on local Instagram accounts. The Sambazon company is expanding quickly due to new capital injections, and is set to up-scale into a significant national player. They aim at the 'mainstream organic market' that is dominated by large retail outfits such as Costco, as well as making a presence in the retail scene through specialized bowl shops. Other brands in the natural-health sector continue to include açai in their lists of flavors and products and in my opinion this is due to the highly specialized and diverse food production structure at their disposal.

In the cosmopolitan East Coast (at least in California), small niche firms continue to sell their own pulps and sorbets as well as this, independent juice shops and bowl shops consistently market açai as one of their most important menu items. Breakfast bowls have become a major trend, which may increase açai within them, or may drop it altogether (interviews 76, 77, 70).

### 8.3 Tracing the chain in California and the United States

The chain branches out into a variety of different configurations, in a way that is characteristic of the food business environment in the State of California. Companies often choose to relegate production to third parties, keeping only branding and sales as core activities. A host of ancillary actors, from venture capitalists, distributors and logistics experts work in tandem to form a network of constantly shifting, and well-orchestrated trade activity.

Actors interviewed at this level described several ways that they source açai pulp to transform and market it. They can verticalize their operations entirely, by establishing a business outlet in Pará, and then having their own factory (as Sambazon did). They can purchase from factories in Pará. They can also buy from traders in the US, either in frozen pulp or extracts and powders. The choices made depends upon the size of the operation, and the importance of the açai to the company. Nonetheless, nearly all companies who market some kind of processed açai products rely on third parties to produce them (interviews 75, 70, 77,78).

Sambazon is the leading company within the US market. It has opted for building its own factory in Brazil. This meant that it completely verticalizes its operations in order to be strategic and de-risk their growth strategy in the US. Though initially they

sourced their product through procuring the produce from factories in Pará, (such as the CAMTA Japanese cooperative), eventually they opted for setting up their own factory in Amapá, near the Marajó Island, to produce their own frozen pulp. This was a move intended to ensure the quality and sustainability of their product, as well as seeking to open up a new production zone, away from the already saturated Abaetetuba region. Not only has this move required significant investment, it has also demanded attention from partners and managers. These are people who must watch how the facility is run, and the entire chain of custody is their responsibility. This strategy has enabled Sambazon to operate in the bulk market, selling to other companies in the US, in direct competition with factories in Pará and local traders, as well as having their own retail-oriented business. They are responsible for supplying a variety of juice shops and companies, both large and small, from the offbeat Backyard Bowls to the mainstream Jamba Juice (interviews 76, 79, 70). As we have seen in the previous chapter, when companies grow, the need to control the growth of supply and this leads to verticalization at the base of the chain.

With the exception of Sambazon, all other actors in the US appear to be either directly or indirectly supplied from third-party factories in Pará (or by Sambazon). Many companies within the pulp market often have a Brazilian connection (either a Brazilian partner or family member), and come to Pará to find a supplier to package pulp with their own brand name (interviews 75, 77). They import a large quantity, store it, and then market it to local retailers and juice shops. It seems that their ties to Brazil, and ability to speak the language, are key factors in their ability to source product. They concentrate on the type of branding, marketing and sales activities that factories in Pará have shown no interest in pursuing.

US-based traders also buy the açai pulp, stock it in large plastic containers, unmarked or unbranded, and then sell it in smaller quantities to their clients. Along with this service, traders often also develop and produce intermediate and final açai-based products (or ingredients) for their clients, such as powders and extracts. They play a key role in securing supply to that market, while maintaining direct, ongoing contact with the factories in Pará. It is their role to scout for quality and price. This study has already illustrated that not many factories in Pará fulfil the mandatory legal and quality requirements to export, and these traders take advantage of opportunities. They also stock up on the product, and finance its production (for example, by freezing pulp) so that the market may access the product throughout the year and therefore this mitigates one of the key hurdles faced by the factories in Pará. As one such trader put it himself, should the factories have enough rolling capital to produce and store on their own to sell throughout the year, much of his business would be redundant (interview 75).

One factory in Pará, Bela laçá, has managed to make the leap to directly contact the market in the United States, and is offering its pulp directly to companies. It has become the largest factory in Pará, and has worked hard towards

professionalization. It is now stretching into the US market, offering high grade (14%) pulp, in a market where the gold standard until recently was 12%. This is a first for a Brazilian company, and may come to change the configuration of the rest of the chain at this level. We see again how keen entrepreneurialism can form and reform chain configuration, irrespective of contextual constraints. This company is aggressively pursuing Sambazon customers, who seem wary of the latter company's foray into the retail market. Several other companies trade frozen açaí pulp directly to juice shops and retail outlets. These companies operate much like Sambazon did in its inception, and how most Brazilian companies still do (interviews 8, 76).

The majority of companies that operate within the United States, including Sambazon, which has its own açaí pulp extraction operation in Pará, rely on third parties to manufacture their final products, whilst they focus on marketing and sales. The business environment in California resembles a diffuse web of interconnected companies; each of these is highly specialized with their core activity. Companies do not necessarily source, produce, package, brand and market and sell their products, but rather often distribute these activities amongst a host of partners that they coordinate. Many companies do not have açaí as their core product, but rather have added an açaí-flavored product to their existing product lines.

Most producing companies have co-packers who operate in target segments; they produce a type of product, with several different flavors, for third-parties. They do not source these ingredients individually from producers. Instead, they purchase already pre-processed açaí into extracts, and add it to their product lines, which are often also produced by third parties. There is a wide variety of specialized 'flavor' companies in the US, making it easy to tap into a trend by adding a new flavor, without much effort spent on sourcing up the chain.

Co-packer companies make most products containing açaí in the US market. Frozen pulp is produced in Pará by local factories, and specialized co-packer companies in the US make all of the other products, from cookies to smoothies. Sambazon, for example, reached out to a co-packer company called Aseptic Solutions in order to produce their line of smoothies, and package them in plastic containers in 2006 when it began selling smoothies in retail outlets (Reynolds, 2006). This allowed companies to quickly move into a new segment, without having to obtain the United States Department of Agriculture (USDA) approval or work out the problems associated with the development of a specific format and investing in the machinery, space or the staff required to set up a production line. In this way, a host of other, supporting industries exist in the US market to keep the açaí chain, and the overall food chains, afloat. They form a complex, inter-twined network and work with surprisingly accurate and smooth coordination. This makes it very easy for a new product to hit the shelves to respond to a trend, but also very easy to stop a product when it is no longer successful.



The vast majority of small to medium companies in the US rely on brokers to reach retailers. Considering the myriad of small companies in the market, and the wide variety of products available in shops, managing every relation individually is not a practical arrangement. These brokers use their expertise to set up a portfolio of companies to represent, and manage sales between them and larger retailers, set up promotions, and provide important feedback between actors. Interviewees relayed that most large retailers will demand that smaller companies hire a broker to set up working relations, and these brokers are not only a sales force, but also they act as gatekeepers to the industry because they select only those products they find most likely to succeed in a retail environment. This enables small companies to reach large retailers, who are keen to include them, as the retail environment is much more competitive and diversified than in Brazil.

There are a host of large, market dominating players, such as Whole Foods, Costco, and Walmart. Yet there are also a series of smaller, local chains such as Bristol Farms or Lassens that also carry açai products. Although Whole Foods is the pioneer in bringing açai products to market, and welcoming the Sambazon brand, at present the biggest player is Costco. With its large retail centres, pervasive presence and competitive pricing, larger mainstream retailers are able to move a total amount of merchandise that smaller, though more elite and specialized businesses, such as Whole Foods, cannot reach. Recent research released by BMO Capital Markets states that while Whole Foods' sales of organic in 2014 totaled US\$ 3.4 billion and Costco sold around US\$ 4.0 billion in organics. Although this is a small share of Costco's yearly US\$ 114 billion in sales, it represents a significant amount of the organic market. At present, 1 in 10 dollars spent on organics in the US is now spent at Costco<sup>24</sup>. This diversity allows new, small companies to constantly enter the retail sphere, without the massive barriers to entry that large, concentrated retailers pose in Brazil.

It would seem, according to interviewees, that a split is occurring in the organic, specialty and superfood markets. While there has been a continuation of growth with organic and healthy food sales from mainstream consumers there is competition from cheaper and more accessible products which are being targeted to these audiences. On the other hand, small, niche and more-sophisticated or expensive products remain with the smaller retailers. This trend has meant that demand for organics is growing yearly at double digit rates, according to the USDA<sup>25</sup>. This means that a different outlook is needed for organic production and marketing which moves away from the niche and speciality markets, into the mainstream. In my

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<sup>24</sup> <https://www.businessinsider.com/costco-becomes-top-seller-of-organic-food-2015-6>

<sup>25</sup> <https://www.ers.usda.gov/topics/natural-resources-environment/organic-agriculture/organic-market-overview.aspx>

opinion, these trends will certainly have impact throughout the whole of the açai chain.

Finally, an important aspect of this retail market is its ability for açai products to reach outside the Californian market, and to spread out across the country. Although açai products are common in states such as New York, it is difficult to assess how homogeneously these trends are across the whole of the United States territory. Another key retail outlet for açai products is the juice shop, and other shops that sell 'açai bowls'. Açai, in frozen or powder form, is routinely added to smoothies, which are immensely popular in the healthy, beach-based California food landscape. Many of these are small and independent, although big chains such as Jamba Juice also operate in the market. These actors buy frozen pulp in plastic bags, and powdered açai, from companies such as Sambazon, and the other smaller pulp companies described above, or directly from traders. This is how açai took off, and where a significant amount of sales still take place. The açai arrived in the US through Rio de Janeiro, and it was thus introduced to the market as a frozen bowl, with fruits and granola, just as it is consumed in the Southeast of Brazil.

To cement açai's place as a special food, Sambazon itself is presently opening its own chain of bowl shops in prime, trend-setting locations such as Newport Beach. Backyard Bowls, a longstanding retailer specializing in açai bowls, has also recently opened a new outlet in the upmarket Beverly Hills, and is seeking to expand. The bowl niche is especially interesting for açai, as it represents a unique form of consumption, where açai is the key ingredient, whereas in smoothies and juices it is easily.

Finally, the Californian consumer, with affluence and openness to health trends is a key anchor of the chain at this level. It is in California that many companies choose to launch new products, and the State has a reputation for being an innovative foodscape, where people are avid to try new things. In this respect, the Californian consumer is a key player in the chain. Buyer power is a strong driver in this market, and has spurred the rise of superfruits as consumers become increasingly health conscious. Açai consumers vary from moms purchasing at grocery stores for their whole families, to single income households, to young, up and coming, trendy consumers who purchase bowls and smoothies at juice bars.

#### **8.4 Embeddedness in the Californian chain in the United States**

This part of the chain is embedded in a markedly different way than within the other locations in this study. This will explain the unparalleled diversity of products that contain açai, and the existence of an underlying (web or network) of actors that makes this possible. It allows us to understand a continued role for Ribeirinho inclusion from the base of chain upwards despite monoculture pressures and this is

due to the 'sustainability-sensitive' business environment and consumer mindset in the United States. Overall, the business environment is characterized by a robust, agile food business sector with several areas that work well across companies. These operate in a thriving and diverse processing landscape that is anchored in an entrepreneurial culture which is at the core of American identity, and even more so, within California's frontier spirit (the societal embeddedness that conditions actors' dispositions). There are a variety of features in the local business environment that explains this tremendous agility of the food processing industry in the US, and the ease with which a web of specialized, but independent businesses integrate so efficiently. This efficiency includes a mature and diverse business environment; an ingrained entrepreneurial culture; an easy to navigate regulatory environment with high enforceability; access to financing; and a productive and yet flexible labor pool.

In California food production and processing represents a key economic 'engine' for the State. There is a cornucopia of labels that have historically marketed Californian produce to its contemporary cuisine. California is the US's largest food producer and processor. Almost half of the US's fruit and vegetables are grown in the State, reaping in US\$ 45 billion in yearly revenue (USDA, 2015). California has the largest amount of the country's food processing plants with around 11% of the total for all of the United States, these are mainly located in the Los Angeles and Bay Area. Total value added for food processing in California stands at US\$ 245 billion, 10% of the national total (US Census Bureau, 2015). This is a fertile place for food businesses to thrive, and take advantage of the web of actors and supporting industries that are coordinated for bringing to market a prodigious variety of food products (territorial embeddedness).

Within California food businesses cluster together to form a territorially-bound web of interdependent units, which lead the açai chain to pulverize into this web of actors, much to the contrary of the verticalized businesses seen in the Southeast of Brazil. Although there are several big players, and many verticalized structures persist, it is very common for several companies to work together on different bits of activity into production. Concerning the açai chain, ingredient wholesalers, community kitchens and co-packers, brokers and retailers all collaborate with food brands to send their products to market. In this context, it becomes a lot easier to get a new offering to market, or to pull it when it fails, without having to set up a whole new value chain for each new product. In 2016 alone, 21,435 new food products were launched in the US market<sup>17</sup>. This facet of the local territory explains why açai products were so easily introduced and quickly spread out into such a wide range of products; from cookies to candies to cosmetics.

In the case of the açai chain, most actors work with co-packing companies that have been working within their own specialized markets for years, and can develop new products easily. A company that specializes in making juices, for example, will add an açai line relatively easily, and with a relatively low cost. Hiring a specialized co-

packer thus makes it much easier to enter the juice market than having to set up your own plant, with your own machinery, permits, staff, from scratch. Start-up costs are much lower, and so is the need for specific technical expertise in manufacturing. Once a novel ingredient piques consumer interest, it is relatively easy to decline it across an ample variety of finished products. A specialized manufacturer can make cookies, another makes juices, and another candy with these companies, the name on the packet represents the business that hires out the co-packing company, ensures supply of raw materials when needed, works out distribution, but above all, works on marketing and branding (Brody and Lord 2007; Fuller, 2011).

The ease with which ingredients, and the technical support are available in the market not only makes new products and brands easier to launch, it also allows existing companies to add new flavors and variations. It is estimated that each year 20000 new products, hit the shelves in the USA and many will disappear within the year<sup>26</sup>. A tremendous level of innovation and investment is required because companies rely on new launches to increase sales in the short term and to reinforce their brands through marketing strategies in the long term. Chain actors work with agility to develop and bring to market a constant stream of new products, which are quickly absorbed into retail spaces, which are constantly shifting to make room for new additions. This helps to explain the wide array of açai products present at retail outlets, up to twenty at a Whole Foods site visit, including juices, smoothies, but also candies, snacks, vodka, yogurt, cosmetics and a host of supplements and vitamins. Leading companies such as Sambazon and Zola both use co-packers to manufacture their products.

Starting and operating a new food business in the US is relatively straightforward. It takes on average only six days to open a business in the United States (compared to 82 days in Brazil which is the 11th slowest in the World Bank ranking cited below. The context of the United States means that new food businesses, and ideas, are constantly arising in the food landscape, from caterers, to food trucks and stands, to processors and brands aimed at retail outlets (World Bank, 2015).

An important element that makes up the current food processing landscape in the United States is the high level of contractual security, which ensures that companies can create a web of interrelation and subcontracting which allows them to coordinate and distribute activities efficiently, without having to rely on vertical integration. Although, according to the World Bank ranking, the US ranks 41st in the OECD (2015), countries with respect to contract enforceability, there is still sufficient legal security that contracts will, in a year's time, eventually be enforced.

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<sup>26</sup> <https://www.ers.usda.gov/topics/food-markets-prices/processing-marketing/new-products/>

All interviewees, whether from large or small businesses, connected to the açai chain had access to credit to start up, and grow their businesses. In this respect, the US is ranked second in the World according to the World Bank (World Bank, 2015). One interviewee recalls getting a small business loan to start-up his business with no collateral, while others were able to find investors at a very early stage. There are a host of venture capitalist outlets in the US market that are willing to take risks with investing in small businesses that have good ideas. The high level of protection for minority investors is instrumental for this type of activity to take hold, and this has been highlighted by the World Bank in its 'Doing Business' report (World Bank, 2015). In this study, the US ranks second overall in venture-backed capital as a percentage of GDP. To illustrate this, it is due to venture capital injections Sambazon has grown so steadily, and is now poised to become a national player. Sambazon was also able to tap into specific funding and support aimed at natural and eco-social endeavors.

Early on Sambazon received US\$ 225 000 from the EcoEnterprises Fund, a unique capital venture partnership formed by the Inter-American Development Bank's Multilateral Investment Fund and The Nature Conservancy<sup>27</sup>. This was crucial to allow them to establish themselves in the US market. They managed to secure a series of other investments, such as venture capital from Verlinvest S.A., and more recently have entered into a partnership with Rustic Canyons and Fontis Partners. These investments mean that the company has managed to build a plan not only to vertically integrate, by building their own processing plant in Amapá, but also to infiltrate the US market in its entirety, going from a local, niche company to a national player, across all 50 US states.

As credit is readily available, there exists a host of suppliers that can stock açai and supply it to industries in a variety of formats and quantities. One such company, which was represented at interview, purchases large amounts of frozen açai pulp from factories in Pará each year during harvest season, and then stores it and resells it on the local market throughout the year. They also formulate products, provide technical assistance, and are able to produce in scale for their clients. Unlike Belém's factories, US companies are able to provide this type of service because they function in a very different business environment. As a large distributor in the US put it in his interview, if companies in Pará had enough rolling capital to produce and stock their own product year-round, he would be out of business. This unequal distribution of credit across the chain thus creates a business opportunity for traders to stock and distribute açai pulp in the US, while contributing to the fragility of Pará's factories.

The US also has an open economy, and it is relatively easy for merchandise to be imported and exported. Not only are trade regulations relatively easy to navigate, the

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<sup>27</sup> <https://www.crunchbase.com/organization/sambazon>

logistic infrastructure (transport and warehousing) infrastructure is modern and relatively inexpensive. This allows companies to easily bring in the açaí, but also to trade in all the other necessary components that go into their products. It also makes the import of capital goods inexpensive, which helps to maintain its industrial park at the cutting edge of technological development. In theory, Brazilian finished goods could enter this market relatively easily. It might be strange not to see any of the finished products of the Brazilian Southeast on US shelves. Yet precisely because the Brazilian economy is so closed, and innovation is low, Brazilian products lack the sophistication, both in formulation and branding, that their American counterparts exhibit. This keeps the Southeast part of the chain, where more value capture happens than in factories in Pará, isolated from the international chains, and unable to take part in that largest share of value capture.

It appears that the factors involved with making the US such an entrepreneurial country are greater than each individual contextual factor such as its culture (societal embeddedness). Despite not ranking in the top ten of most business environment rankings, it is consistently ranked first when it comes to entrepreneurial culture. It comes first, for example, in the Global Entrepreneurship & Development Index (GEDI)<sup>28</sup>, developed by Imperial College Business School in association with the London School of Economics and Political Science, University of Pécs and George Mason University (Acs et al. 2015). A recent brief published by the Economist highlights: “between 1996 and 2004 it created an average of 550,000 small businesses every month” (The Economist, 2009).

America instills in its entrepreneurs the notion that failure is not something to be ashamed of, but rather a badge of honor, on the path to success. In fact, the ease with which one can go into bankruptcy, and emerge, is considered one of the many objective factors that sustain the American entrepreneurial culture. During the time spent in California, contacts made within the fieldwork, but also casually, confirmed this entrepreneurial spirit. Local fairs and farmers markets, students, housewives, seemed fearless about starting out new endeavors, exposing themselves to risk to set up shop and follow through on their own ideas, from the landlady starting out a mermaid tail/pool party business, to the senior citizen pedaling his famous marinara at Whole Foods.

This cultural backbone to the US’ unique entrepreneurial climate has been recognized in the existing literature on entrepreneurialism, most notably in Lee and Peterson’s paper (2001, 412):

*“Today, entrepreneurship continues to be the dominant driver of wealth creation and employment. The U.S. culture engenders an ideology that supports and encourages*

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<sup>28</sup> <https://thegedi.org/research/gedi-index/>

*individuals to behave with a strong EO. It is a culture that advocates such concepts as following few rules and experimentation as opposed to maintaining the status quo”.*

In this more effervescent environment, açai was quick to leave its niche status and spread to supermarkets. Sambazon's founders, imbued with that culture, felt they had the ability to form a new myth in the consumer landscape, which is something that Brazilian entrepreneurs feel insecure with. When superfruits first became a trend, in 2007/2008, new product launches in the segment immediately grew by 67%<sup>18</sup>. Actors felt emboldened to quickly go into business, and tap into a functioning, well-coordinated web of food-related industries and support services, without working too hard at creating specific network embeddedness. At the same time, products can easily lose favor, because they become a fad, drop off the market and entirely forgotten. Around 70% of new product launches in the US fail within a year.<sup>19</sup> The industry maintains this almost frenetic innovation cycle rolling to increase marginal sales and maintain brand positioning, and is quick to move on to the next new enterprise.

While superfruits were a massive trend in 2008, they have somewhat been substituted by new fashions, such as gluten-free or low-carb foods. Already in 2011, product launches containing superfruits açai, pomegranate or goji dipped by 60% in comparison to the previous year (Naturalproductinsider, 2013). Interviewees that the quick entry of açai into the market, and overly enthusiastic claims about its health benefits, particularly in supplement (many of which touted it as weight loss miracle cure), led it to quickly lose favor with consumers, once the FDA and other authorities discredited bogus claims.



**Figure 8.2** Açai powder amongst other 'superfoods' in the Pasadena Whole Foods, high prices and sophisticated branding (author's photo).

In the USA, concentration in the retail sector is also an important factor that shapes value-chain configuration. The largest 20 traders control 63.8% of all trade, with four big players having tremendous sway over the industry, much as in Brazil. These traders squeeze their suppliers and force consolidation up-chain, creating barriers to market entry for smaller businesses. Still, small-scale producers can still turn to specialty stores, such as Whole Foods stores, to attempt to enter the market place, where novelty, specialist brands are highly valued. Additionally, the existence of a web of actors behind products makes it easier to meet market requirements<sup>20</sup>.

The instability in fads, quick turnover rate in industrial processes, and the stranglehold of large retailers compared to food-service opportunities explains why so many actors are now turning their attention back to açai 'bowls'. The 'bowl' is a unique form of consuming açai, its original 'carioca' format, and this specificity shields it from the vagaries of ingredient trends in retail. Although these bowls are mainly sold in specific bowl and juice shops, the value they return to the açai product chain in other formats is a valuable marketing tool<sup>29</sup>. Sambazon itself has entered the bowl retail market, opening its own specialized shop pilot in Newport, California.

<sup>29</sup> <https://www.specialtyfood.com/news/article/2015-trend-prediction-super-bowls/>



It is bedecked with Brazilian themes, such as Amazonian foliage, a Carioca boardwalk pattern, and other signature accoutrements. It seems that a mere health claim does not solidify açai's place in the market, but that it must be packaged within a culturally specific identity in order to outlast the variabilities of the food fad cycles in the US market. Again, the health 'myth' formed in the Southeast, and the form of consumption that is popular there, are key elements of its success in the US, though none of its firms partake in that value capture.

## 8.5 Consumers

The presence of an affluent, health-conscious and adventurous consumer base in California's coastal areas has enabled the development of the açai market in the US. California is remarkably prosperous. If it were a country, it would have the eighth highest GDP in the world (on a par with Brazil's entire economy). This prosperity allows for products such as açai, which are inherently expensive and niche, to find a market more easily than they would in more budget-conscious milieus. In Los Angeles' upper echelon juice bars, for example, a cold-pressed green juice served in a modern glass bottle, in a modern shop, by a modern, tattooed hipster can cost as much as US\$ 12.

Unsurprisingly, this is where the organic and natural food trends really became established markets. Organic farming in California reaches back to the 1940s, when Russell Wolter converted his property in the Carmel Valley, Monterey County, California into an organic farm. Its trajectory has been masterfully exploited by Julie Guthman (2003, p. 1175) in 'Neoliberalism and the Making of Food Politics in California', where she posits:

*"The organic food movement has been the major social movement contesting food and agriculture in the post-war period, and California has been an important center for this movement, imparting it with particular sensibilities".*

In this context, açai's Amazonian appeal, and all organic and Fairtrade certification it may have acquired, play an important role in ensuring its success. Undoubtedly, the product's sustainability is a key factor for its acceptance. The fact that it is a fruit product aimed at health-conscious consumers and has 'natural' appeal is also crucial. This was confirmed by the focus group debate conducted in the present study, members of which group are sure to check for certification seals on labels, and was relayed by all other interviewees.

California is also having a beach culture, and is the birthplace of much of the youth culture that has spread across the globe in recent decades. This is where surfing and skateboarding became commonplace pursuits. Owing to the climate, the lifestyle is typically outdoor-based, and sports and health oriented. As historians have amply

commented, after the war, the sunny, youth-abundant state of California helped shape what we now know as 'youth culture', and its 'fun in the sun' atmosphere (Deverell and Iglar, 2013). The existence of an entertainment industry, based in Los Angeles, helped propagate the myth of endless summers, surfing, and youthfulness, propagated through films, and TV shows, such as 'Gidget', the sprightly surfer girl that brought surfing culture to the masses in America (Deverell and Iglar, 2013).

This attitude is reminiscent of the lifestyle that dominates Rio de Janeiro, Brazil, where açai berry consumption originally took hold as a healthy 'superfood' trend (Figure 8.1). This is perhaps the single most important factor that has facilitated the advent of açai consumption so easily from Brazil to the US. The cultural 'wormhole' between these places was the fundamental driving force behind the formation of the value chain. The sharing of trends between them was easily accomplished, and not much translating was required. It is no coincidence that the lead firm for açai berry in the US, Sambazon, was founded by a surfer, who first tasted the product with his surfing friends in Rio's juice bars, and brought the product to athletes and to juice bars in California.

In the interview with Sambazon's founder in the present study, and in other interviews the company has given to the press, they stress that the key to their penetration of the US market was precisely their focus on health-conscious and beach lifestyles. They actively pursued surf championships and outdoor events as sampling opportunities to increase its customer base, and viewed traditional juice bars, aimed at this sector of the public, as their priority targets. They also focused much of their marketing efforts on building a close connection between açai and sports, by endorsing athletes and championships, and reinforcing this association in their communication material. Other interviewees were also quick to point out the association between açai and sports, and identify it as the key driver in its acceptance in the local market. This is exactly how the superfood consumer myth was formed, if accidentally in Brazil, but one which they purposefully reinvented in the US.

In fact, most brands that have açai berries at their core in the US use take the same approach, associating açai with beach culture, health food, and notably, MMA fighting. Many of these fighters have jiu-jitsu origins, and the açai's cultural story is tightly intertwined with the Gracie family, the founders of Brazilian jiu-jitsu, and their legacy. Although the 'soccer mom' type of consumer that made up the focus group was not particularly interested in MMA, the healthy, sporty associations of açai berries were identified as its key distinguishing factor in California, as is its consumption in bowl form, and its superfood status.

Consumers in the focus group, mothers of young children, were also particularly interested in products that would allow them to 'sneak' healthy foods into their children's diets. In that sense, all the myriad preparations that the diverse food

processing apparatus are able to deliver play a key role in consumer acceptance, by presenting ingredients containing açai in formats that can be easily incorporated by consumers in their daily lives, without necessitating changes in their routines. Parents now seem more interested in healthy foods in easily consumed formats, from smaller, niche and organic brands, than overly convenient and processed foods, marketed with child-friendly cartoon characters.

Surprisingly, the Amazonian origin of the product, and any of its eco-social characteristics, were conspicuously absent from the focus group discussion, before they were probed. In fact, a wider discussion on the sustainability of the product with consumers in the focus group yielded mixed results. Though they did think sustainability and ethics were a key marketing draw, and thought that the Amazonian identity was interesting, they were mostly unaware of the fact that so many people lived there, and that their livelihoods were intertwined with conservation. They were also uneasy with the exploitation, however benign, of any forest assets. As one participant put it: "I don't know, the Amazon, it's just better to leave it alone". Overall participants felt that the issue was too complex to worry about when making day-to-day consumer choices in retail outlets. They responded very positively to simple, identifiable traits, such as organic certification or Fairtrade labels. They were also responsive to simple conservation claims, such as an appeal to save a specific endangered species, such as has been successfully employed by a chocolate brand now common in US stores<sup>30</sup> We see here how pervasive those myths of untouched nature and the absence of interest in the cultural peculiarities of its people are, and how directly they affect the marketing of their products.

Mentioning the Amazon, and the connection between livelihoods and conservation, seems to worry consumers who are simply not ready or willing to address in the moments they have to make a purchase decision at the store. Also, the group seem to be more willing to help animals in the 'wild' jungle, which they feel belong there, rather than people, which they do not really know how to compute in their vision of a 'virgin' rainforest. Therefore, the product's complex social and environmental credentials play little part in its acceptance, and will continue to do so unless a very simple, straightforward message about its importance to Ribeirinho communities and local conservation is crafted. The message is lost in the consumer fetishism, and certification remains a crucial communication strategy, despite its apparent irrelevance to the Ribeirinhos in Pará. When probed in interviews, companies also claimed they made sure to make eco-social benefits known, but that this was seen as a more important marketing asset in business to business relations than in business to consumer. What does help consumers make choices are certifications, such as organic, Fairtrade, or Rainforest Alliance. Though these hold little to no meaning at the base of the Value chain, they do matter to these Westernized consumers. We see here Agrawal's (2005) fetish clearly at work, creating

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<sup>30</sup> <http://www.chocolatebar.com/>

incongruous upgrading strategies with little effective meaning for Ribeirinhos to satisfy culturally disconnected consumer markets.

The consumer landscape is also quickly changing, and companies are struggling to keep up. A new consumer audience is currently becoming dominant in the US market, and impinging on the food processing industry. 'Millennials', born somewhere around the turn of the millennium (some, such as the Pew Research Centre, put the start date at 1981), have a very different outlook compared with previous generations (see Fry, 2015). At present, they outnumber 'baby boomers' in the work force, and companies are scrambling to market products that meet their needs and stringent criteria. This new generation is wise to the tricks of marketing lure. They are not easily swayed by powerful marketing messages from big corporations. They are much more concerned with the environment and sustainability than previous generations, and warier of institutions. Large food-processing conglomerates lost US\$ 18 billion in market share since 2009, according to a special report by Fortune magazine<sup>31</sup>. Shoppers, and Millennials, in particular are now mistrustful of processed foods, artificial ingredients, preservatives, and GMOs.

Meanwhile, sales of organic and natural companies, particularly smaller, niche ones, are growing exponentially. Health benefit has practically tied with value for money as the principal driver in food purchases: 71% of interviewees in the 2014 Food and Health Survey, conducted by the The International Food Information Council (IFIC), quoted by Marketline named health as the primary driver in food choices (Marketline, 2014). The Organic Trade Association reports that sales of organics have tripled in the last decade. Large food-producing/processing companies are either adapting their product lines (removing sugar, artificial ingredients, and so on), or introducing the natural food company segment in a significant way.

Social media now hosts many on-going threads of conversation about what to eat and what to avoid, and the food giants, can no longer control the messaging through their enormous marketing budgets (Schultz, 2015). The same shift away from mass produced, 'fast' or 'junk' food is also visible in the retail environment, where big groups such as McDonalds are having year-on-year diminishing returns, while companies promoting healthier alternatives, such as Chipotle, which has recently eliminated all GMOs from its brand, are gaining ground quickly (Rushton, 2015).

For the açai market, this can represent a substantial opportunity. Labelled as a superfood, and mostly organic and natural, it has space to grow in this new context, at the hands of the niche brands that now dominate its marketing (despite Sambazon being a big player within the açai business, it is still a small in the overall foodscape). Other small outfits, such as independent bowl shops, also have a significant

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<sup>31</sup> <http://fortune.com/2015/04/27/gmo-free-chipotle-millennials/>

opportunity in this scenario. If they succeed in marketing their products as all natural, healthy, but also culturally adventurous and somewhat elegant, they will be hitting the Millennial ‘sweet spot’ with ease. This seems to be the strategy of Backyard Bowls, whose beautiful, nutrient packed bowls have gained cult following in the Millennial-packed university town of Santa Barbara. They are now expanding, and their new shop in the heart of Beverly Hills serves up the same high-quality, adventurous and healthy concept in a restrained and sophisticated setting. Meanwhile, Sambazon has secured sufficient venture capital to go national, and is opening its own bowl shops.

These findings are reinforced by a study conducted in 2011, which heard consumers extensively on their tastes and preferences, their knowledge of açai, and even included tastings. Researchers found that:

*“The results were encouraging and allowed one to discern distinctly that there is a possible market for açai-based products in young or older, female, food neophilic and health-conscious consumers. Products such as sorbet and juices may be promising alternatives to the Californian market”.* (Menezes et al., 2011, p.208)

Undoubtedly, profit margins are lower when ingredients are higher quality, made without fillers, emulsifiers, and flavorings, such as large food corporations (‘Big Food’) are keen to use to maximize returns. In the Fortune article (Kowitt, 2015), the CEO of the Hain Group, a leader in the natural sector, admits to profit margins 10 to 15% lower than mainstream competitors. ‘Premium’ açai businesses that were interviewed reported the same statistic. With quality at the core of their business model, taking a ‘hit’ on their bottom line was the price to pay to retain their unique brand identity. Once again, as organics go mainstream, there is a split between niche, high-quality organics, and mainstream organics aimed at mass retail outlets such as Costco and Walmart. We have yet to understand how this may dilute and devalue organics as a whole, or whether the market can split into niche and mainstream seamlessly (Kowitt, 2015).

## 8.6 Value capture

At the topmost stages of the açai value chain, it is noticeable that consumers and retailers have great power to ‘make or break’ companies, and are thus dominant actors in the chain, both for its formation and to sustain its current configuration. It is also clear that traders and lead firms in the US market have considerable control over factories they trade with in Pará, since they not only monopolize sales, but also finance production. Despite their power, however, they are, according to their own reports, unable to set prices for the commodity, since the local and national markets

are so strong. This is an important research finding, confirming the ways in which diversified markets, and strong local markets in particular, shield producers from the instability and imbalance of power of trading only for foreign markets.

Amongst companies, and different specialized actors (such as between brands and co-packers, or amongst competing companies), the open and secure business environment makes vertical control wholly unnecessary, as companies can easily and seamlessly switch trading partners, or move into new markets laterally. This conditions upgrading opportunities, with companies in California standing at the top of the açai value chain have relative liberty to innovate and upgrade, while their trading partners in Brazil remain stuck in low-level activities in the chain, due to lack of financing and marketing capacity. They are also more likely to spark new consumption trends, and engender new chain connections. However, one company from Brazil seems to have managed to break the 'glass ceiling', and enter directly into the frozen pulp market with higher quality pulp, representing a unique example of functional and channel upgrading.

It is, unsurprisingly, with market leader Sambazon that we encounter the most variety in adoption of upgrading strategies. We see here a much more-captive governance model than that we encountered elsewhere in the chain, with Sambazon clearly playing the role of a lead firm. Perhaps their first step towards market consolidation was in fact what could be called 'process upgrading', increasing efficiency, by building their own factory in Brazil, to secure their supply, without having to rely on third-party factories. Not only were they able to secure supply, but they also managed to demonstrate to their corporate buyers that sourcing in the Amazon was not only viable, but also socially and environmentally sustainable, eliminating the risk of any possible backlash for its trading partners.

Sambazon was then able to branch out from the frozen pulps with which they began to assail the American market's juice bars to develop their own products for end consumers, such as smoothies and juice drinks (product upgrading), which are now their driving products, present in a wide variety of retail outlets, from the upscale wholefood retailers to the popular, low end Costco (this variation of retail channels itself an example of channel upgrading). It is through this move, from a pulp provider to a brand that retails to consumers across an ever-growing number of channels (and currently growing bigger still, with forays into Asian markets), that Sambazon continues to grow, thanks, in great part, to constant capital injections by venture funds.

It is interesting to note that their only physical production facility is in Brazil, where they produce their pulp, while third parties produce their entire line in the US market. This choice of strategy denotes the perceived uncertainty in the Brazilian end, in the Amazon Basin, in contrast with the sophisticated, and secure business environment in the US. As they move into the retail market, for example, with their bowl shops,

they are becoming direct competitors with many of their clients, who have shown to be irked by the move, and may easily begin to switch over to new suppliers for their pulp.

As we learned in interviews, since this is an NTFP product, coming from a location with a complicated supply stream, control over pulp supply is crucial to corporate strategies. In fact, US buyers finance factories in Pará (as discussed in the previous chapter), to retain control over their supply. This allows them to develop their strategies for the US market with ease, and without fear of competition. Many of these firms operate directly in the B2B market, buying and importing, and then selling to local businesses in the US that wish to add açai products to their lines without the problems associated with sourcing. Smaller firms also abound in the pulp market in the US. All of these also purchase from factories in the Amazon, who package the pulp with their brand, and then resell them to juice bars and retailers in the American market (much as Sambazon began). Many of these are also branching out into sorbet lines, adding new products that are higher-value added than the commodified pulp, and that are directly consumable, rather than requiring preparation. This current business model reserves upgrading and value creation up for the American market, leaving only the very basic operation of pulp extraction for the factories in the Amazon. The move into a new market, the bowl bar, represents another attempt not only to capture value by bypassing retailers, but also to consolidate the unique identity and mode of consumption of açai in the mind of American consumers.

In spite of the unwelcoming business environment in Pará, one of the interviewees, who owns an açai brand in the US, has chosen to develop a product, a sorbet, made entirely in the Amazon basin region. In fact, as we have seen, many of the factories in Pará now have upgraded into this production capacity, though buyers in the US seem more interested in buying pulp in bulk. This specific entrepreneur argues that his product is of much higher quality than that of his competitors, since the integrity of the açai berries, and the antioxidant properties, are not jeopardized by thawing, reprocessing, and refreezing. He has managed to place his product with a few large retailers in the US, even with this risky production strategy. However, he claims that this process, performed in Brazil, is tremendously complicated, since the local industry, despite its ability to process the sorbet, does not have access to the variety of packaging options, and ingredients (there is no organic sugar readily available in Pará, for example). Not only are these supporting industries and their ingredients not present, importing ingredients into Brazil from abroad is also particularly complicated, constricting the development of a local industry in Pará which could upgrade into higher value added positions in the chain (confirming the situation described above about the factories in Pará). It is important to note that marketing and sales remain firmly at the hands of a US based company, even when production is relegated to Brazil.

Nonetheless, as Bella laçá continues to prosper, and seems to have harnessed sufficient capital and business power, this aspect of the value chain could be about to change. It has succeeded in breaking into the US market by offering a higher quality pulp than was present in the US market until its entry, and seems to have its sight set on breaking American firms' monopoly over the import and distribution of pulp in the American market. This breakthrough also highlights the ways in which a different individual, entrepreneurial streak can allow a particular company to break through structural limitations and upgrade, conquering new markets and adding more value. Bella laçá's efforts to professionalize its management, develop its marketing capacity and invest in product development appear to be paying off. Perhaps this recent success will embolden them to further add value by creating a consumer brand, or at least becoming a significant co-packer of açai products in the US market.

Furthermore, Sambazon's move into retail does seem to leave some space for a new large player to infiltrate the pulp market. Such a company (Bella laçá in particular) could also offer their own higher value added products, such as the sorbet and juices, taking the place of local co-packers. To do so, they must be ready to truly invest in building a constant presence in the US market, with sales forces and marketing teams ready to challenge their competitors. Interviews with companies in California, entering the US market indicate it is essentially about carving out a brand identity, and maintaining a consistent, effective marketing presence, with end consumers, retailers and corporate buyers. In theory, companies in Pará could pool together to build such a presence, but as we have seen in Belém, they are unlikely to come together and collaborate.

One form of upgrading not seen in the US market is the inclusion of other Amazonian commodities, with equally notable health benefits and eco-social credentials, in the trading rosters of existing actors. A small bushy riverside tree (*Myrciaria dubia*) Camu camu has a marketing potential as a vitamin C supplement, but at present is very niche, presented in a few cosmetics and vitamin pills. Açai was relatively easily transplanted to the US market through its incubation in the Southeast of Brazil, where it gained a cultural identity. When asked about the introduction of new flavors, many actors seemed interested, and saw potential, though most found themselves to have their hands full carving out market space for açai. It would seem that the introduction of a new product would thus be reliant on a significant marketing push, to create a cultural envelope for these products and generate market demand. Though this requires investments, the curious and adventurous nature of ever-growing Millennial audiences makes the US market fertile ground for this type of innovation. Providing a culturally interesting Amazonian experience (rather than the 'carioca' experience of the açai, for example) could, for example, prove a beneficial avenue for new product introduction in the US market,



consolidating a place for the local culture and cuisine in American culture, much as Korean, Peruvian, and other cultures have managed to do in recent times.

Finally, fieldwork also shed considerable light on the potential impact on the US market of the current trend towards upgrading to monocultures in Pará (process upgrading). It seems that this inevitable split, between wild-harvested and monoculture açai is matched by a trend in the US market, towards a split between high end, niche organic products, and more generic, accessible products aimed at mainstream audiences currently purchasing organic produce/products from large retailers. From this standpoint, it would seem that there does indeed exist space for both production models (wild and monoculture) to coexist, rather than the worst-case scenario feared by many in Pará, where monoculture would destroy the wild market, forever excluding Ribeirinhos. This would allow for açai to continue gaining market share, resolving price pressures, while sustaining Ribeirinhos through delimiting a more high-end niche. However, this market segmentation must come from an active marketing effort, to truly create this high-quality differential for the wild product, accompanied by the necessary production process changes to ensure that the wild product's quality is maintained throughout the logistical challenges faced in getting it to processing plants.

## 8.7 Conclusion

The innovative, loosely governed cluster that makes up the food business landscape in the USA, and particularly California, was quick to develop açai berries markets and multiply them into a wide range of products and enterprises, leading to fast and widespread value-chain development. New products and uses appear constantly in the market, and turnover of them is fast and easy to achieve thanks to a web of specialized actors – co-packers in particular. Actors are able to easily upgrade and innovate in the US because of their business environment, in a very different scenario from that encountered in Brazil. This explains why the diversity of açai products in the US is so much bigger than it is in Brazil. It also helps to explain why interviewees here were much more willing to experiment with new ingredients and explore new products than those we saw in Brazil. Food brands here are exactly that, brands, with most of their physical production derisked into third party operations. Instead, their challenge is to stay in the mind of consumers through marketing and branding, and through constant innovation.

To break into this market with new ingredients, businesses have to focus on brand building; something not highly valued in the Brazilian business environment. Yet opportunities are manifold, particularly as Millennial audiences take to new, exotic ingredients with health benefits that have a strong eco-social backstory. The carioca identity, and the consumption of açai in bowl form, have found favor, and created a cultural bridge for its adoption and continued consumption. Although the product

originates in the Southeast of Brazil on its way to California, it is through the creation of that series of stages in the chain, and the reconfiguration of its identity that it became a desirable commodity in the USA. However, because Brazilian companies are overly verticalized, and do not have the branding and marketing capacity of their American counterparts, they are unable to integrate into the international market.

Consumers are powerful actors at this level of the chain, with substantial power to reshape trade relations. California, in particular, has a consumer base eager to try new natural products, as long as they are marketed in a sophisticated way.

Consumer groups, known as 'consumer activists' actively investigate the sustainability of their purchases, and can 'make-or-break' a company based on their findings. They are also highly informed on the nutritional benefits of what they eat, they read labels avidly and do their research – particularly in the health oriented, affluent region of coastal California. With an avid market for 'superfoods', local açai businesses there can be set up relatively easily, and know to focus on marketing, branding and sales, rather than production, in order to add value.

The eco-social aspects of the chain, particularly its Amazonian identity, and its conservation benefits, are scarcely present in Californian marketing, although they do play a key role in business-to-business marketing and relationship building. Retailers in particular are extremely wary of their reputational risk, and require strict chain of custody controls to stock a product on their shelves. Organic labelling is here an important strategy to attract consumers in the current consumer climate and 'healthy' market segment towards which açai is oriented. As the organic market seems itself to split into two separate markets, one mainstream, and lower cost, and one niche, and quality focused, a possibility opens itself up to accommodate the split in production practices that is occurring in Pará, and pushes even monoculture producers towards more-sustainable agricultural practices. This could enable the stabilization of prices, which hamper growth, while retaining a dedicated space for the small-scale production that is so crucial to the development of Ribeirinho livelihoods. Furthermore, consumer activism is rife and Amazonian conservation could be an important selling factor, if adequately articulated.

To achieve this, however, a concerted and targeted marketing effort would be required, which does not seem feasible for Brazilian actors. The Brazilian government, or producer associations, have played no role in bringing açai into US markets, or supporting its expansion, or in finding markets for any other Amazonian commodities. It was through the vision and insistence of local entrepreneurs that the chain spread to the US and it is perhaps through another such endeavor that markets will open for other Ribeirinho produce. To enter this market, high quality and originality are key. There is nonetheless potential space for new, foreign actors to enter the market, either as end-customer brands or co-packers. The local economy is relatively open and fiercely competitive, and Bella laçá from Pará has begun to make the effort to break into the market. This move requires a change in business

culture, and a solid investment in sales and marketing on behalf of Brazilian companies who wish to explore the opportunity.

Table 8.1 Analytical Matrix for California

	<b>Territorial embeddedness</b>	<b>Societal embeddedness</b>	<b>Network embeddedness</b>	<b>Consumers</b>
<b>Relation to chain creation</b>	<p>An innovative, decentralized food industry facilitated the introduction of açai and its declination into a wide variety of products</p> <p>With food brands focused more on marketing than production, it was much easier to form a new consumer myth relatively fast</p> <p>The propitious business environment and credit availability makes it easier for companies to invest, allowing the chain to grow quickly and for local actors to stock açai</p>	<p>As entrepreneurialism is a core component of national identity, and businessmen are keen marketers and innovators, local actors were quick to create new businesses and form a compelling place for the product in local market isles, but, most crucially, in the public's imagination</p>	<p>The food sector is spread into clusters of highly specialized and interconnected companies, that generate low transaction-costs, spread risk and encourage innovation, enabling the quick adoption of new foods trends such as açai</p> <p>Creating the bonds to form the chain required the local lead entrepreneurs (Sambazon) to travel extensively to Pará to find a reliable supplier, which they found in the solid Tomé Açú cooperative, and then to quickly verticalize</p> <p>A less concentrated retail landscape made it easier for smaller companies to break into the market</p>	<p>Coastal California is the home of healthy and organic food trends, and is very receptive to the superfood 'myth' of açai</p>
<b>Relation to chain configuration</b>	<p>Açai is present in a surprisingly large amount of products, and traded by several large and small companies</p> <p>Local distributors can stock açai pulp in a way that factories in Pará are unable to do</p> <p>The sophisticated business landscape</p>	<p>After a fast turnover of business models, with companies appearing then leaving the market, the chain has now consolidated and açai is a staple, though new businesses are now crowding into the 'bowl' iteration of consumption</p>	<p>Sourcing açai in the less-professional and secure environment of Pará is mainly done by specialized companies, to a great extent by Sambazon, which has verticalized, or through dedicated distributors who can take the time to visit the region and manage those relations</p> <p>The local chain is spread</p>	<p>Consumers are used to buying açai in a variety of products, and are amenable to new ones</p> <p>Consumer preference for high antioxidant and organic açai percolates through to Pará, where firms are encouraged to</p>

	<p>makes it hard for companies from the Southeast to enter the market without improving their offerings, keeping them mostly locked out of this leg of the chain</p>		<p>out and diffuse, mirroring the general configuration of the local food industry</p>	<p>certify organic and to preserve and measure antioxidant content</p>
<p><b>Relation to upgrading</b></p>	<p>The concern with quality and sustainability standards drives actors in Pará to upgrade to better practices and certification, and raise the bar for the whole chain</p> <p>The competitive and open business environment leaves space open for Southeast actors who can compete locally</p> <p>Meanwhile, local firms, small and large, are constantly innovating and creating new products to compete</p>	<p>Local businessmen are constantly launching new products, and experimenting with new marketing strategies</p>	<p>Few seek to change their position in the chain and adopt new functions, because local coordination works well throughout</p>	<p>Even though local myths also exclude Ribeirinhos, the local desire for healthy and sustainable products sustains the chain at a more desirable social and ecological level</p>
<p><b>Development outcomes</b></p>	<p>The receptive business environment has allowed açaí to quickly find a market and pull production</p> <p>Chain of custody requirement ensure positive social processes at the base of the chain</p>	<p>The entrepreneurial culture encourages risk taking and new product development, and the mind set of lead entrepreneurs facilitated the adaptation of the consumer myth and its propagation</p>	<p>A substantial amount of value is captured by the region, distributed across its web of companies, who can constantly turn over new products and create new value</p>	<p>Even though local myths also exclude Ribeirinhos, the local desire for healthy and sustainable products sustains the chain at a more desirable social and ecological level</p>

	The high level, constant turnout of the local food industry keeps less sophisticated offerings from the Southeast from being attractive			
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## Chapter 9. CONCLUSIONS

### 9.1 Introduction

Throughout the field visits, carried out in an area spanning thousands of kilometers, and involving a wide diversity of interviews, from the surfer turned ‘food bowl entrepreneur’ in Beverly Hills, to the armed Marreteiro on his boat in the rivers and canals of the Marajó in Amazonian Brazil, the goal was to find connections weaving together the stories of actors and places into a useful, innovative contribution to the field of development of Non-Timber Forest Product (NTFP) trade. Access throughout the fieldwork was often difficult, and each new research site posed a gamut of practical challenges and analytical opportunities to navigate. Yet eventually each link in the value chain, or field site, revealed new, unpredicted information and perspectives about the açai berry use and trade, about the research process itself and its theoretical foundations. Ultimately, a clear picture emerged of how this chain came into existence and how it has held its shape, under what defining circumstances, and with what development outcomes. With these insights, it is possible to propose policy recommendations that serve not only those involved with this chain directly, but those seeking to undertake NTFP project implementation, as well as value chain-based development interventions more broadly.

The research was geographically and theoretically broad-based, and was conducted by a single researcher. It therefore lacks some of the depth and quantitative evidence that a value-chain study could reach. For example, it is not possible to confirm that monoculture of açai berry trees is more cost-effective collection by Ribeirinhos in a semi-managed wild situation, and therefore cannot truly gauge what risk this model poses, and at what pace, to smallholders. By spreading out across research sites, it was also difficult to assess, with much certainty, how inclusion can affect dynamics within communities. Much time was spent trying to gain access to business people at the research sites, and many of them were unwilling to share confidential or strategic information on costing and prices, for example. Many simply refused to be interviewed at all. This made the conduction of a truly comprehensive input-output analysis impossible, though the choice made for a Global Production Network (GPN) approach made this type of analysis less crucial. Gathering deeper information in research sites would require a larger team, with greater institutional support facilitating access and guaranteeing funding. Nonetheless, the key actors in the chain, which represent not only the largest trading volume, but also that were central to its establishment, the lead firms, were all interviewed at length. The breadth of findings help reduce these

limitations, and the complementarity of much secondary data gathered throughout the research effort often made up for shortcomings.

The adoption of a 'whole chain' approach brought a trove of new perspectives to the existing literature on NTFP chains, in particular regarding the agency of entrepreneurs within contextual constraints, the limiting or enabling role of business environments in shaping chain configuration, and determining the success of development interventions. The notion of a vertical axis of 'chain pull' compared to a horizontal axis of contextual pull allowed for considerable clarity of analysis of the chain and its development outcomes and potential. An exploration of the consumer myths and branding concepts involved in the chain at different research sites was also crucial in helping to understand how the chain took shape, why demand was formed, and how this shapes the chain.

## 9.2 Açaí value chain formation

After extensive fieldwork analysis, it can be concluded that the key factors that help form the value chain are:

- the existence of a strong local market from which the chain could scale up;
- the formation of an easily absorbed 'food consumer myth' surrounding the açaí berry that translated well into urban consumer markets;
- the presence of keen entrepreneurs with scale-crossing brokerage abilities at each link in the chain, both to articulate chain relations and territorial peculiarities (from extremely complex logistics, to unwelcoming business environments and retail market concentration) to organize production, but also to bridge cultures, reshape myths and create demand; and
- the existence of a strong industrial base in which to process products in the Southeast of Brazil, as well as a large and prosperous middle class.

At the base of the chain, the existence of a strong local market provided a basis from which this growth could occur. Açaí was already a daily staple in the Amazonian regions of Brazil, and a local trade network already existed in the area to get the produce to urban Batedores on a daily basis. This trade web, though it would be reshaped by rapid expansion in demand, already existed in an embryonic form beforehand. Without this base, the Gracie's would have had difficulty in bringing in their first coolers full of frozen pulp. These were easily acquired on the local market, and daily processed by the Batedores. This cohesive local web, with strong, short recurring bonds, provides unique solidity. The existing web merely grew in size.



It can be argued that the existence, and significant growth in the local market resulting from urbanization and population growth provided a trading alternative to the factory/export market, strengthening the market position of communities and Marreteiros, and improving their trading conditions within the growing factory system. Had there been no alternative trade pathway, factories would dictate prices and suppress the chances of communities of capturing value. In fact, interviewees relayed that because local markets are so vibrant, and the açai such a necessary staple, that prices are often higher than what factories can afford to pay, because Batedores and their customers will still buy despite wild fluctuations in produce value.

The arrival of mobile communication technology, which allows communities to follow trading prices constantly, has also played a key role in preventing abuses. This finding is very much in line with the current NTFP literature, having been confirmed through a large number of case studies and reviews (Neumann and Hirsch, 2000). Local markets allow communities trading alternatives and enable an organic development of value chains, a more-gradual evolution that tends to better accommodate community needs. This understanding is also commonly reflected in Global Production Network (GPN) studies. When people have trading alternatives, they have more power and are less likely to suffer abusive trading practices. But a layer of causality, based on network theory, provides a key insight when designing interventions, as detailed below.

A further pivotal factor in the development of the açai value chain was the formation of a new identity for the berries, and a new form of consumption, which were very attractive to consumers outside the State of Pará. The introduction of the 'açai bowl', instigated by the Gracie family, recreated the product as a healthy, trendy food closely tied to the aspirational beach culture of Rio de Janeiro, with its MMA fighters, sports enthusiasts and athletes. The frozen bowl, sweetened with guaraná syrup and served with fruits and granola was also highly palatable and appropriate for a sporty, beach-going audience. This is a typical example of how products adopt new and relevant identities in consumer markets, and how food myths can be translated from place to place, forming cultural 'wormholes' (short-cut conduits) that make possible the inclusion of a new product in a distant consumer landscape. This pull of demand is central to chain development and determines its potential configuration. A productionist approach, which reduces consumers to mere final receptacles of a value chain, is unlikely to spur policy initiatives that open markets in meaningful, novel ways. This type of insight had until now been absent from scholarship in NTFPs, but is further discussed below.

The relatively young age of the açai chain also allows us to identify another important driver of chain formation: entrepreneurship. Though contextual factors, such as the existence of a local chain, and the serendipity of the formation of the market myth were

important ingredients, without the agency of entrepreneurs who envisioned a business in the improbable, and logistically awkward universe of açai harvesting and processing, there would be no chain as we now know it. This confirms the findings of Te Velde in his value chain analysis conducted in Latin America (te Velde et al. 2006). The Gracie's were the determinant actors in bringing the açai product out of Pará, as described above. But then a group of entrepreneurs in Rio de Janeiro and São Paulo picked up where they left off, setting up juice bars and introducing the product to new consumers, while traveling themselves to Pará to find suppliers. In Pará, there were pioneers such as Ben Hurl, who set up a factory on an island near the center of Belém, bringing in a colossal old boat engine by pulley to serve as a generator. In the US, the Black brothers of the company Sambazon opened a market, after seeing the product being sold on the beaches of Rio. Because the chain is so recently established (and developing), the ways in which individual agency can reshape structures and reconfigure social and economic relations can be relatively easily mapped out. Through the individual agency of these key actors, and certainly many more, an entirely new chain configuration took hold, forever altering the social structures of the region.

Slow and steady growth of the açai chain was driven by these entrepreneurs and spurred the creation of new factories. It stimulated communities to manage their açai palms, and increased the harvest area manifold, generating the kind of value capture and regional development that is so desired by the development community. Unlike te Velde et al.'s (2006) article, the centrality of specific entrepreneurs is more predicated on their brokerage ability than the captivity of their relationship with their suppliers. In the present research it became clear that those entrepreneurs who managed to cross scales to enable trade (as illustrated in the network diagram (Figure 4.1) were crucial to chain formation. Those actors who are connected to a significant portion of the chain on one end, and serve as connectors to another scale, are the binding agents of the chain across scales. Without, specifically, Frooty, or Sambazon, or the larger-scale operating Marreteiros in Pará, the chain would not have widened as it has and would not be cohesive.

The reception of the açai business chain in the Southeast of Brazil was also instrumental to its development. The more-sophisticated business environment, within the same country and legal framework, enabled processing and industrialization to progress with relative ease, compensating for the general shortcomings of the industrial environment in Pará. It is here that the product went from an ingredient to a product, and it was relatively seamlessly adopted, once demand appeared. This is a valuable lesson. Often we seek to forcefully upgrade regions into value-added roles by subsidizing industrialization. When this capacity exists elsewhere, one must question whether this is truly the best strategy and consider what direct benefits can be achieved,

and for whom. It is common to see policy makers or development agencies investing money into processing plants that are unlikely to be efficient, and end up leaving communities without a truly viable market pathway. Luckily, the açai chain sprang up outside of typical, determined, food product development practices. Of course, many ingredients also are adopted directly by foreign markets. But difference here is that açai, thanks to the consumer myth of "sports and beach", and the business environment graduated from ingredient to product. This product identity is strong, and of such relevance, that it is the form in which foreign businesses are choosing to market açai in the future.

### **9.3 How network thinking and embeddedness allow us to understand value-chain configuration, value-capture possibilities and development outcomes**

Perhaps the most straightforward, and one of the most-valuable research outcomes achieved in the present study is the mapping of actors involved in the entirety of the chain and the roles that they play within each context. The key actors in the chain were identified and interviewed. Through this process it was established what roles each actor plays, and how they influence chain formation and configuration. When the context against network relations is examined, we can better grasp in how the chain remains intact, and where actors have capability to capture more value. For example in the diagram of the chain presented in Chapter 4, the crucial role of scale-crossing brokers becomes clearly evident.

This analysis also allows to better define what upgrading strategies would be useful for communities. It allows us to determine that the following key factors keep the chain in its current configurations, enabling or constricting movement of actors and value capture throughout the açai chain:

- The territorial constraints of the interior of Pará require a web of interconnected middlemen to provide the necessary 'network thickness' upon which the entirety of the chain rests, attempts to reduce their number are unlikely to succeed. Meanwhile other actors seek to address these constraints by eliminating all these actors from the chain entirely, by the introduction of a monoculture model;
- The poor business environment (territorial embeddedness) and the peculiar cultural universe that Pará's factories inhabit (societal) tie them to low value added, fungible processing activities, where they are passive and unable to move into more advantageous positions where they could potentially capture more value for themselves and the region (such as diversifying into other local products);

- The strong market and industrial complex in the Southeast of Brazil keep processing and marketing there, but a mix of societal embeddedness and contractual insecurity generate an entrepreneurial culture that is not innovative, and remains isolated from foreign markets, creating a break in the chain;
- The demanding and quality driven Californian market, and its innovative entrepreneurial culture create an environment for constant new product introduction and maximum value formation.

Based on these findings, we see why cutting out middlemen and moving communities into trading roles has proven unsuccessful. This has been the case in Marajó, where a boat was purchased for the local community, and a contract was arranged for them to supply a local factory. Had the chain been mapped, and the roles of actors been defined, it would have become clear that Marreteiros provide very important services to communities, mediating their relationship with factories, who are very prone to defaulting on payments. The concept of scale-crossing brokerage is particularly valuable here, as the ways in which Marreteiros connect disparate cultural universes indicates (the strength of the chain is only as strong as the weakest link). The factory representatives that were interviewed found dealing with cooperatives quite difficult, and when they did, it was mostly to squeeze them into supplying their product for less than what they would pay middlemen. This is not a new finding, and several studies have, as described in the literature review, come to the same conclusion. In the present study, a more-detailed understanding of these actors' roles in the chain, and perhaps more clarity on when they are in fact essential, and how their role can be improved is evinced. This is not to say that when communities are isolated and do not have the power to change trading partners they are not often abused by Marreteiros. The 'captive' nature of the governance structure works to their detriment, much as is commonly observed in other value-chain studies. The situation in Marajó, where the most-isolated communities received very little income from their product, and are often reduced to bartering under unfair conditions to acquire basic goods needed to sustain households. There does exist an official minimum-price policy, but it is difficult to enforce in these isolated locations. Geographic embeddedness is a force play constricting chain configuration and limiting value capture strategies.

The Ribeirinhos interviewed did not appear keen on upgrading into other roles within the açai chain. The majority their communities lacked the cultural capital to engage with corporate buyers and manage new enterprises. This traditional business knowledge is recognized in the NTFP literature as a difficult barrier to overcome for communities to shift positions in the chain, and can be construed as a factor of societal embeddedness that conditions chain configuration (Belcher and Schreckenberg, 2007). Outside help

would need to be invoked to take over these management functions and this is often how development interventions are undertaken by NGOs.

Communities to be integrated into the market their isolation that must be combated. Transport in the Amazon is precarious and in view of these logistical challenges, it is important that processing plants be better spread out across the territory in a way that still enables them to ship their product at competitive prices. This could increase demand for açaí away from the most densely populated regions. It would thus seem entirely more appropriate for funding to be channeled to actors who are willing to establish themselves away from the Abaetetuba/Belém hub, as Sambazon has chosen to do, and who might trade, for example, fiscal incentives for supporting sustainable extraction prices. Yet they too must have access to improved logistics to reach markets.

Regarding specifically the potential conversion to monoculture, although the trend is worrying, it is in many ways already an unavoidable reality. A vast monoculture plantation, far away from the Tapajós, a sizable farm even further away in the State of São Paulo itself already exist. Insofar as Brazilian consumers are not interested in the sustainability of the chain, or the cultural origins of this product, the conversion to monoculture, with the open support of the government of Pará, is being progressed through its Pró-Açaí program. Nonetheless, this does not necessarily mean the total exclusion of Ribeirinhos from the chain, and could represent a positive step forward, if adequately planned. There may be trading opportunities for both modes of production.

If Ribeirinhos could somehow retain a market share, while mainstream prices are kept reasonable by the constancy of supply made possible by monocultures, this move could allow the chain to grow and stabilize, while retaining many of its positive development traits. Although this is not the case in Brazil, for example, actors in the US suggested in the conducted interviews that sustainability can be an important way to access markets, both for consumers and in business-to-business (B2B) scenarios. This type of insight is only possible when considering the entirety of the chain, and try to match contextual issues across geographical scales.

The sheer size and diversity of this whole chain configuration, and the many local contexts it crisscrosses, also reveals a complexity that has largely been glossed over in other NTFP studies, and which could produce a variety of different analytical constructs and research pathways. There exists to date no representation of NTFP value chains in the literature that are this detailed, and that span as many locations. This allows us to examine and question the roles of actors in a new way. For example, when we expand research to factories and buyers in the Southeast of Brazil in sequence after factories in Belém, different findings are found compared to previous studies. In fact, factories in

Belém have a relatively weak position in the açaí chain, since their product is fungible/generic, and the local business environment seriously hampers their upgrading opportunities. They are also the link at which the chain switches from entirely informal to formal, and must be brokered between very different, and often conflicting realities.

These factories are the gatekeepers to the Ribeirinho economy. The fresh fruit is highly perishable, and needs to be processed and frozen to be storable and tradable to more-remote locations. Additionally, they are the point of the chain at which it transitions from entirely informal to formal. This creates an inherent challenge, and the factories' brokerage between these realities is crucial. Corporate buyers are not necessarily equipped, or willing, to deal with the complexities of the local açaí economy. Additionally, factories in Belém and the Abaetetuba region are crucial to adding and retaining value within Pará. There is therefore market fragility. The factories are unable to upgrade, and are financially insecure. While more-traditional, local-only approaches would see them as establishments that dominate the chain, they actually require more support to keep the chain moving and sustain the Ribeirinho economy. At present, many actors feel that substituting this entire portion of the chain with a monoculture model, where farmers would replace Ribeirinhos, crops would be grown and marketed in a predictable pattern with set contract prices, without Marreteiros, with simple logistics and easy processing that would generate great efficiency, removing that portion of the chain.

A strategic investment in those factories might be a better way of sustaining Ribeirinho livelihoods than attempting to upgrade communities into roles that they are ill-fitted to, and reluctant to assume. If there is a wish to sustain the existing model, and retain the Ribeirinhos' involvement, then the current factories, which make this part of the chain viable from a 'business' perspective require support. In their words, and based on interviews with other actors, their key challenge is securing financing to increase production during the harvest season, to be recouped from sales throughout the year. They also have a difficult time paying for the refrigerated storage facilities required. Only very few, larger-scale actors can afford to work in this way, leaving many actors, who could potentially supply foreign and national markets, locked out. As one large açaí trader in the US put it, if local factories had the capacity to self-finance and stock, he would be out of business.

This is a clear example of how the conceptualization of a network embedded in a context provide a higher level of nuance than that allowed by the focus on intra-chain dynamics, which is employed in value-chain studies. It also proves that value-chain studies that only look at part of a chain can come up with quite skewed results. So many of the issues that condition the relations between actors across geographical scales are

formed from the local context, instead of the mere intra-chain dynamics. For example, objectively thinking, one could easily envisage the upgrading of factories through the supply of the more-sophisticated product mixed with other ingredients, instead of plain pulp, at least to more proximal markets such as the Northeast and Centre of Brazil. The pricing would be attractive, and there is enough space in the governance pattern of the chain for these companies to upgrade. Yet the business environment in which they are enmeshed, and the societal embeddedness that conditions their behavior keeps them from succeeding in such a move, though many of them have begun developing the product. They simply cannot compete with the much more-advanced business environment found in the Southeast of the country.

Companies in the Southeast operate in proximity to large consumer markets, in a much more propitious business environment, and in this way, play a crucial role in ensuring that açai-based products reach markets. The region concentrates nearly 50% of all food industries in the Country, bringing in ingredients from across the territory to process and retail, and generating substantial local development in the process, thanks to its proximity to markets, but also the better pool of labor and auxiliary industries that it has amassed. Still, the reigning business model lacks agility and flexibility. In most cases, the highly verticalized business environment and near inexistence of co-packers hamper innovation. Companies in Brazil must take up the risk of product development and launching entirely on their own. The justice system is slow and insecure, and companies are wary of outsourcing. It is then no wonder that innovation is hampered, and little attention is paid to marketing.

A potential intervention that would bring great benefits to the whole chain within the State of Pará and spur regional development would be the inclusion of another product to be harvested and processed during the time of the year when açai is not in season. First, this would be a solution that stems directly from the ways in which Ribeirinho livelihoods are structured, spread out across a basket of activities throughout the year, and one that those interviewed found most desirable. Respecting livelihood patterns is a recognized key feature of successful NTFP interventions (Belcher and Schreckenberg, 2007). This would give Ribeirinhos another source of income on which to count on for the remainder of the year, which is what they most seem to desire, according to our sampling. As we have seen, they have a hard time managing their cash flow, and often have not retained sufficient savings from when the açai is in season to sustain themselves the rest of the year. At the moment, their only source of cash income these communities have, apart from payments from federal programs such as Bolsa Família and Bolsa Verde.

When the açaí is not in season, they revert to a practically subsistence-based livelihood model, surviving off fish, chicken, and whatever they can grow. Yet their own livelihood model, which is multiple, seems to hold the key to the best possible development strategy. At the same time, in urban centres in Pará, factories either shut down or ‘hibernate’ (only stocking and selling product, but not really processing) for half the year. Marreteiros continue to work across the region, going to where they can still find some product to supply the local markets, where prices skyrocket. Therefore, for most of the year, a great deal of idle capacity exists which could be put to use. For over half the year these factories are essentially idle, but still paying for staff, financing, taxes, and equipment that remains unused. The entire network of logistics between them is also already in place, meaning it would be relatively easy to add another product to the mix. There are many products that could fit the bill amongst the myriad of foodstuffs and potential cosmetic ingredients that are native to the region. A visit to the traditional Ver o Peso market in central Belém reveals an incredible range of fruits, herbs, roots, and seeds which are unknown and unexploited beyond the region. Perhaps one of them might be the next açaí. The exploration of market potential for other Amazonian products, and for Amazonian culture as a whole requires much further investigation and exploration. However, with the wide budgets available to such entities as APEX to develop markets for Brazilian products, and the strategic role that these commodities could play to conserve and revalue the Amazonian region, this investment could prove of strategic importance.

Through GPN analysis, we learn that none of the companies interviewed in Pará or in the Southeast of Brazil showed palpable interest in taking a risk investing in a new product. In fact, the introduction of a new flavor seemed to them completely out of their remit. We must remember that none of the current actors in Belém or in the Southeast were involved in actively creating a story for the açaí or initiating a market. This was something that happened organically, almost accidentally. These actors merely responded to existing and growing demand, and spent some, though not very much, money perpetuating the consumer myth through the sponsoring of sports events. The creation of value and identity was done spontaneously by cultural and not commercial actors. Throughout the interviews, it became clear that marketing was not really at the core of their activities.

The companies in Pará, which operate as business-to-business entities, do not feel confident trying to cater to consumer markets, of which they have little knowledge. They are accustomed only to dealing essentially with companies in the Southeast, and a few, with foreign buyers. They have never traded products with retailers, and have no access to the final consumer of their goods. They also seem to lack the financial capacity and human capital needed for such a change of position in the chain. Though several of



them have developed açai 'mix 'products that are similar to those retailed in Southeast Brazil, they have found little demand for these products. For them, exploiting new ingredients, while retaining their position in the chain as intermediaries between extraction and final processing, would be the most advantageous way to increase value capture. Unfortunately, those most likely to benefit from such a strategy do not have the power or will to open a new market. This strategy would have to include their clients, who do have access to marketing structures and can influence consumer behavior.

In contrast, companies in the US are marketing machines, in constant dialogue with keen and canny consumer groups. Many of them do not even produce any of their products. In fact that was the case for a significant proportion of the companies that carry açai products. Because of the high level of contractual security, networks of intertwined companies divide amongst themselves the different tasks of production, gaining efficiency and fostering innovation. Production is outsourced to co-packers, distributors negotiate with retailers, another company is hired to command branding, logistics are often also handled by a third party, and so forth. These companies work together seamlessly because they know that if any of these other actors default, or make inappropriate use of proprietary information, they can quickly and easily seek legal remedy. This situation fosters innovation, as companies have the space to dedicate themselves more fully to creating and marketing new products, which can come to market through this web, spreading out the load of making production and distribution work. In this way, the foreign market is a guarantor of quality and sustainability in the chain, despite representing a mere 10% of overall international açai trade.

Companies in the US seemed much keener on experimenting, though they would not easily venture into value chain development in an entirely new country. They have little incentive to come to Brazil, develop new chain links to explore Amazonian ingredients. So many new products and ingredients come to them; there is little point seeking new opportunities afresh. Açai arrived because a pair of surfers discovered the product for sale on the beaches of Rio and made it their mission to launch it in the US. They found a cultural proximity to the product that allowed them to envision its success in the US market. The açai we see in the US is at least as 'carioca' as it is Amazonian. It was in this context that it made sense to these entrepreneurs, once an accessible consumer myth had already been set up. They went on to explore the supply in Pará, and set up their own production pathway, but the product itself was easily exploitable.

Still, they accomplished almost singlehandedly what no company in Brazil did. They created a market and carved a niche for their product and its entity in the American cultural landscape. Still, they were only able to achieve this because the product was

easy to source, and the product was already in a form that was palatable to their consumers. All this was achieved in Brazil, though mostly by accident. Yet Camu Camu, for example, another Amazonian fruit that is very high in Vitamin C, is currently gaining interest in the supplement market, while remaining mostly unknown in Brazil. It is unlikely to become as popular as açaí has become without the culturally attractive 'bowl' format that is associated with açaí, but it has found its way into the market nonetheless. The societal embeddedness lens shows us that American entrepreneurs are always looking for the next new thing. Interviewees in the US seemed interested in exploring new flavors and ingredients, if they could find their way into the market. US consumers are markedly more curious and receptive of exotic new ingredients, and much more likely to opt for sustainable purchases. In this way, although the business communities in the Southeast of Brazil and Pará are more proximate to the communities, and under one some federal government, the involvement of foreign actors in the chain has definite advantages. The Californian consumer is more curious and accustomed to new products than that in Brazil. The local foodscape is constantly welcoming new influences, which are quickly embraced. The agility of the industrial complex also enables new flavors and trends to quickly become incorporated into new products and find their way into grocery stores. Not to mention that local companies are keen marketers, and have a knack for inserting new offerings into the local cultural mix. Perhaps it is through the American cultural machine that the next Amazonian commodity will first find a palatable identity and a place in the market.

Another example of how the whole-chain and embeddedness approach can allow us to better understand dynamics between actors is the different impacts that trade to US and to the Southeast Brazil has for Ribeirinhos. While international buyers are particularly concerned with quality, as well as their chain of custody and eco-social track record, buyers in the Southeast worry essentially about price. Companies in Brazil are highly verticalized, and not prone to innovation.

The protection of Ribeirinho extraction of açaí could also lie at the hands of the American market. If the Ribeirinho production could be adequately marketed as 'wild harvested' (in the fashion of the luxury foraging done by the likes of restaurants like Noma and other European sophisticates) into these premium niches, they could retain their activities while allowing the rest of the chain to grow into other modes of production. This finding corroborates a recent study, which examines the possible commonalities between luxury markets and sustainable development (Achabou and Dekhili, 2012). Whether these are indeed necessary remains to be seen, but the fact that they are becoming a reality, regardless of opinion, requires policy-makers dedicated to preserving Ribeirinho livelihoods to find workable, practical options for these populations. There is no way of banning monocultures, after all. The case of

natural rubber, which is now often preferred in some niches compared to manufactured rubber, and has an 'eco' appeal, shows that proper marketing can preserve spaces for extractivism even in the face of mass production and monocultures. An extensive review of NTFP cases in Bolivia and Mexico also confirms that niche marketing can be a good strategy to combat substitution (Marshall et al. 2006).

On certification, it is important to point out that the notion of organic açai is entirely meaningless within the current Ribeirinho production mode, as the trees are not planted, do not receive any type of fertilization or pesticide.

Nonetheless, a significant amount of açai that is aimed at foreign markets is certified organic. All interviewees were clear that there was no premium for communities for supplying organic açai. Therefore, as a form of upgrading and adding value, it is entirely meaningless for the açai-harvesting communities.

At best, certified communities have precedence when factories need to supply organic açai, but considering how heated the market has become, this is of little use to them. Certification is nonetheless an important condition for accessing foreign markets, and thus valuable to factories who export, and the Ribeirinho chains they support. In order for this certification to have more positive effects, particularly as far as communities are concerned, a new type of certificate, which is particular to the NTFP scenario and ensures price premiums percolate throughout the chain, would have to be put in place. Other forms of marketing which highlight the value of Ribeirinho labor and culture such as the creation of an aspirational 'wild harvested' seal, must be examined. The NTFP is after all, as other researchers have put it, a cultural product as much as a commodity (Cocks et al., 2011). What we see here is that certification may be useful, but is not the core of the value-forming proposition that can effectively improve development outcomes. The formation of consumer myths, in curious markets, should be the central purpose of the intervention.

#### **9.4 Consumer markets and consumer power**

The business 'pull' of demand, or the power of consumers, can be crucial to determining the shape of the chain, and also to enable new strategies for value capture. These perspectives, gathered throughout the fieldwork, enable us to fill out the analysis, although the combination of these perspectives is not entirely theoretically resolved.

The açai berry did not find favor in markets because it is Fairtrade, organic, or associated with any charitable initiative – the usual upgrading or marketing strategies that are usually attempted by development programs. It has found favor because it is trendy, healthy, a 'superfruit', and associated with an aspirational culture. Even its

Amazonian origin is practically insignificant to its success. This growing demand, which has skyrocketed in the last fifteen years, has spawned several new branches of the chain, stimulating the creation of factories in Pará, and in the Southeast of Brazil, as well as processing units in the US and other countries, along with myriad new companies dedicated to commercializing açai-based products. It has also entirely reshaped the local reality of the Tocantins estuary, doubling the size of the market for the berries, including a much greater number of communities, hiking up prices and creating a new stream of income for the region. The immaterial, subjective whims of contemporary consumer culture may be difficult to grasp, but their reach is very much tangible. The lessons here apply to GPN scholarship as well, which tends to overlook formation of value in consumer markets and their power to shape chain relations (Mceachern and Schroeder, 2004; Coe et al. 2008, Coe and Hess, 2013). The importance of aspiration compared to charity in food myth formation is crucial. Simply put, açai is a success because it is associated with an aspirational culture, and not because it is a charitable purchase. Undoubtedly, this does not come without its only set of limitations. Within a 'fetish' that grossly excludes a produce's origin, there is little room for adding further value at the base of the value-chain. As indicated at the beginning of this thesis, forest settings lack cultural characteristics of urban populations. In this context, formation of exchange value that is aspirational and which based on forest people identities is difficult, although not impossible. Cultures are malleable, and Millennials are particularly pliable and receptive.

The consumer landscape, is also crucial to the configuration of the chain the Southeast of Brazil, the perception of açai is of a vaguely healthy, filling snack. Consumers are not only entirely unaware of its origins, but they are oblivious to its health benefits. The product they consume, the açai mix, is laden with sugar from guaraná syrup, which also masks its flavor. It is more of a dessert, which suits Brazilians' sweet palates. The health associations prevail thanks only to the origins of its arrival, and the continued sports sponsorships. The local organic market is incipient, and people are unlikely to read labels and investigate the origins of the products they buy. Furthermore, Amazonian products are mostly unknown, and the vast forest holds little fascination from a cultural standpoint. In this way, organic certification, or seals of origin are very unlikely to have much impact on demand in Brazil (although they are important in the US). Successful marketing strategies highlight the flavor of the açai, and its convenience as a snack. In this context, Ribeirinhos, and the Ribeirinho economy, are simply not part of the marketing picture. This makes it exceedingly convenient for companies to switch to monocultures as their suppliers, as is already beginning to happen.

This identity of açaí, as a foodstuff for the sports-oriented beach lifestyle, was perhaps the most fundamental factor that enabled the transposition of the value-chain to California. It allowed the product to translate seamlessly from one beach culture (in Rio) to another. As discussed in the literature review, this is a ‘fetish’ that entirely obscured the nature of the product, yet it was crucial to the development of the chain, with direct positive impacts for communities. Yet the Californian consumer has its own peculiar view of açaí. There, it is a superfruit and by association imposes high-quality standards for the açaí berry supply. Purity is valued, and premiums are higher for higher quality produce. Organic açaí is especially valuable. As discussed previously, this could prove valuable to the Ribeirinho economy.

This is not to say that this obscuring fetish is entirely unproblematic. As Ribeirinhos are not regarded as part of the story, or the basic origin of the product, they are considered to be easily replaced. No real premium can be placed on the laborious extractivist origin of the product. Frooty had several unsuccessful attempts at raising interest for the origin of the product. Yet their approach was documentary style, using imagery that showed a kind of idealized o sanitized version of production and nature we are used to seeing.

## **9.5 Policy recommendations – consumer myth making and alliance building**

By employing notions of ‘embeddedness’, production networks, and consumer myths/branding, actors in the private and public sector can conjoin to formulate new development strategies that contemplate the needs of forest communities, recognize their central role to conservation and generate substantial regional development, but are based on solid market research, and must work across geographic scales, and integrate different realms of policy, from tax policy to cultural policy, to ensure that new trade relations, and better trade relations, are put into place, to truly harness the sustainable development potential of the Amazon.

Based on the findings of the current research, two important streams along which policymakers can channel initiatives to improve the development potential of NTFPs are recognized:

- taking a whole-chain approach, tracing the vertical axis of the chain;
- evaluating embeddedness and its relation to value capture will enable strategic interventions to be successfully devised that consider how actions at several scales, and not just community level, can shape development outcomes.

- policy makers must shift from a productionist vision of economic development, towards one that embraces all the subjective nuances of exchange value formation. In today's increasingly immaterial economy, it is through consumer myths that the persisting structural inequalities of trade relations can be truly eliminated.

A whole-chain, strategic, and collaborative intervention that contemplates the vertical relations in the chain, but also the specificities and capacities of local contexts as described above, could prove at least as valuable as tinkering with local community dynamics. Adequate marketing could safeguard some of the 'extractivist' strain of the chain from the onslaught of monoculture. It would simply require actors to come together, such as trade bodies and export agencies such as APEX, as well as those strategically invested in the development of these communities, such as the Environmental Ministry and Development Ministry of Brazil, pooling their resources and collectively devising a strategic marketing plan, including branding, but also setting up trade and processing pathways to enable these products to get to market, be it national or international. Public support could also prove crucial to provide financing, fiscal incentives and institutional support. At present there exists a large amount of finance for conservation initiatives in the Amazon through the State's public development bank, the BNDES (Banco Nacional de Desenvolvimento Econômico e Social). Several current initiatives concern development of NTFP chains. Although they appear to carry out a worthy job of organizing local forces, they do not look beyond local conditions to create and sustain entire value chains. It is of particular importance for actors in the State of Pará to come together, to find solutions for the instabilities of supply, the spare capacity ('slack') in the chain, and the lack of credit that has an impact on factories particularly strongly.

Taking a whole-chain approach would require actors to join up, communicate and find common ground. Unfortunately, this looks unlikely. Presently, there is no trade body or sectoral chamber that aims to bring together açai chain actors in a meaningful way. Although several attempts have been made in the State of Pará to create such a commerce chamber, they have in the past not succeeded in becoming an active channel for the communication and common strategizing of its actors. There is a major cultural barrier between actors: the mostly illiterate, isolated Ribeirinhos, the working class Marreteiros and Batedores, and the upper class in the factories. It is not surprising that at present, the Pro-Açai program<sup>32</sup> being promoted by the government as the big step forward in the development of the chain that entirely excludes these actors, in favor

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<sup>32</sup> <http://www.brasil.gov.br/editoria/educacao-e-ciencia/2016/01/para-ganha-programa-para-ampliar-producao-de-acai>

of the implementation of a monoculture production model. Keeping them in the chain is crucial to retaining the açai's pro-sustainable development potential intact. Shifting to a monoculture model would simply exclude the thousands of families who have the açai palm as their key source of income, and drive them to return to logging and other unsustainable activities. It would also hamper the world's access to the Amazon basin and its myriad possibilities.

To create a strong alliance would also require the inclusion of academic research centers with the power to develop new products, such as the very competent, but mostly isolated, ITAL in São Paulo. Product development has been recognized in the literature as crucial to establishing successful trading of NTFPs (Belcher and Schreckenberg, 2007). Very little of the research of these food technology institutes became new products continuing açai, and a better joining-up of corporate and academic actors in Brazil would be enormously useful to the whole agri-food sector in general. It would spur innovation and enable more value to be retained, allowing Brazil to reposition itself from a producer and exporter of low-value added commodities to a major supplier of foodstuffs to global markets. The Brazilian economy remains remarkably isolated from global production networks and exports very little value added goods. This is a structural, nation-wide issue that requires serious changes in local factors, such as labor laws, logistics, and taxation. Still, there is room for change within the existing context to improve the position of the açai chain. Several actors are starting to consider export markets, setting up subsidiaries and stock in the US, for example, to enter the US market with added-value products. Greater access to modern technology would increase opportunities to access new markets.

Technology development and implementation, though a common component of value-chain studies, seldom figures in the NTFP literature as a key driver of sustainable development. Yet in the case of açai, it plays an important role. The cultural biases that center on the direction of technology development are clearly visible in the açai case. Embrapa in Brazil ([www.embrapa.br](http://www.embrapa.br)), the public agricultural technology institute, was not set up to look for agricultural technologies that would improve the lot of Ribeirinho communities and promote sustainable development. Rather, it developed a technology that would allow extractivism to be ruled out, in favor of a monoculture model. Sustainable-development impacts were not considered in project design. The research is publicly funded, but its impact on the region is not a prerequisite. Technologies that support Ribeirinhos, such as solutions for storage, and solar-powered, faster boats, can make significant changes to the chain and facilitate their participation. Discussions of agricultural and commercial models that integrate multiplicity of species is also fundamental to environmental stability.

Meanwhile, students from around the World come to visit the Japanese cooperative at CAMTA in Brazil, whose multiple, rotating agroforestry model was, ironically enough, inspired from Ribeirinhos' livelihood system of working on a suite of activities. CAMTA at the moment is the only company capable of supplying processed frozen pulps of a variety of Amazonian fruits, because it has taken inspiration from the region's diversity, and counts it as the key to its success. The technology to successfully manage a multiple system at a large scale already exists, and is already successful.

Another key challenge faced by the chain, the logistics, is also easy to resolve, according to Professor Cordeiro, one of the açaí chain's most prominent scholars. There are solar-powered boats which could better refrigerate the fruit, and cut down significantly the cost of transport, enabling much larger-scale extraction geographically, and greatly increasing supply without shifting to monoculture production. Yet current efforts do not reflect these needs and realities, because many actors are excluded, deemed unfit to be part of a 'professionalized' future for the chain.

The specificities of supply, such as availability, quality, volumes, and seasonality must be matched to the realities of value chain formation. It is important to understand what actors could be relied on to form a new value chain, from local middlemen, to industries and retailers, and how they could be engaged. Though understandably this might prove too complex a task or discussion to have within the scope of a 'Plano de Manejo' (<http://www.icmbio.gov.br/portal/planosmanejo>) or similar policy interventions, it is hard to fathom how a plan might ever seem realistic without at least contemplating these issues and identifying partners that could take up the marketing mantle. It is thus imperative that this dimension of extractivism as an economic activity be contemplated in these documents, for them to effectively represent a pathway towards thriving sustainable forest livelihoods for local communities. This is a crucial lesson we can take from this research process. Employing the analytical tools of value-chain research, mapping actors and their roles, but also understanding the specificities of each involved business environment, and the attitudes of consumers, along the entirety of the chain, is instrumental in designing projects that succeed at successfully connecting communities to market. This is not to say that local initiatives, particularly those aimed at organizing production and ensuring the fairness of trade relations and redressing local inequalities, are not equally important, but that they are moot without the actual presence of a thriving chain to drive demand. The inequities across scales can be much larger than those we see locally. Despite the obvious difficulties and costs of looking at the whole picture, there is much to be gained from broadening the analytical lens to better target policies and program design.

Therefore, a new mind-set must emerge for envisaging the future development of the region, something that is not 'fines and fences' conservation, nor the monoculture



model. This requires a mentality shift, a cultural re-thinking, to enable a policy redirection. A recent review published in Proceedings of the National Academy of Sciences of the United States of America (Nobre et al., 2016) calls for the establishment of a new paradigm, accompanied by a new policy framework that enables the public-private partnerships that would allow market-friendly innovations and research while sustaining and valuing local communities, their activities and knowledges. A new way of developing and sustaining pro-conservation and development value chains must take the place of current exploitative activities that allow little value capture and retention, one that could truly propel the region economically and socially without the magnitude of negative environmental impacts currently experienced. A new wave of technology-intensive, environmentally and socially conscious companies would emerge, to create a new economic dynamic for the region that would retain more value, while preserving biodiversity. In this scenario, NTFP projects that truly include all actors, specifically communities, but also make the best possible use of globalization and value chain knowledge, as well as base themselves on an adequate grasp of value formation in consumer markets, could in fact catapult regional development.

At present, however, local and federal authorities seem intent on doing things 'the old way'. The 'Ecoparque', an industrial zone destined for this type of enterprise in Belém, is practically a ghost-town, only occupied by the natural cosmetics giant Natura. No real fiscal incentives or policies have been set in place to encourage such new corporate entities from establishing themselves there. Federal ministries do not work together to strategize solutions for income generation in forests. Though NTFPs matter to the Environment Ministry in Brazil, other crucial entities and ministries are not involved, because trade volumes are low. Still, as pressure grows on developing countries to halt deforestation, and achieve sustainable development goals, there is potential for new policy solutions to come to fruition under financing structures such as the Amazon Fund.

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Investing in the Amazon does not need to mean investing in the Amazon, geographically, only. Value chains and value formation are diffuse. Many billions have been poured into local projects, building cooperatives and buying machines for processing, but without obvious, traceable, positive impact. The impact a fascinating feature film depicting the life of today's Amazonians could have significant impact on World demand for the region's products. There is a need to move from the mechanistic notion of investment and development, and engage with how value formation occurs in today's immaterial economy. Certainly all pieces need to be in place, a newfound demand must be met by organized supply, but these things need to be contemplated together, in a much bolder strategy.

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<sup>33</sup> <http://www.fundoamazonia.gov.br/pt/home/>

To implement these solutions, entrepreneurs must be involved, and allowed to spearhead new trading options. It is their brokerage and business agility that truly heralds change. The fear that they will somehow oppress weaker actors in the chain cannot be allowed to be an obstacle to the implementation of novel, targeted policy solutions. In several cases, even the often-maligned multinational corporations have been found to play a dynamic role in organizing local forces to participate productively in value chains (Chelekis and Mudambi, 2010). In the açai chain, the Coca Cola Company has fronted the creation of a remarkable project to include communities and improve livelihoods to trade açai as sustainably as possible. They also have no intention of trading with monoculture sources. As te Velde et al., (2006) concluded in their comprehensive study, the often-captive governance of many NTFP value chains does not necessarily mean that entrepreneurs will abuse communities. On the contrary, these risk-takers not only are crucial scale-crossing brokers that enable market links to form, they are also in many ways the organizers of these new trade configurations. If we take the example of Sambazon, for example, they took a tremendous risk, setting up an entirely new business in the US, for an unknown product, creating demand, but also set up a factory in a State where there had previously been no açai business, created a new hub of trade, built a factory, included new communities, and set up their own chain of custody controls (although with mixed results) to ensure the sustainability of their product. The individual drive of entrepreneurs is thus a key ingredient in stimulating the arrival of new products on the market, and these actors must be nurtured and supported for sustainable forest enterprises that are truly market-savvy, as well as sustainable, take hold and catapult the development of the Brazilian Amazon into a sustainable, vibrant and prosperous business hub. Start-up acceleration must be a public priority, and the support of institutions, such as the government financing agencies, the export agencies, as well as the sectoral chambers and research facilities, must be available to them for new ideas to come to fruition.

This market-based vision must be integrated in the policy instruments that shape the governance of the Amazon. In Brazil, for example, designated extractivist reserves must receive a 'Plano de Manejo', or management plan, to achieve the legal status of RESEX (an 'extractive reserve' for Ribeirinhos). These long, comprehensive documents contain a description of the social, geographical and economic profile of each territory, including the NTFP extraction profile, challenges and opportunities. However, all information regarding extractivism is based on local issues, and while topics such as logistics and markets may be mentioned, they are seldom explored. These documents, though informative, do not really help communities move forward in generating sustainable, year-round income from their activities, because they do not discuss market integration, and demand, in depth. Unless local markets are sufficiently abundant or trade pathways

and demand are large enough, for products that are well known, there is no plan. There is some indication of what activities can be established, or already are, but to understand how these come together to sustain communities, through what market ties is difficult. Once again, the localizing myopia is significant. Yet these products need to find their way into consumer markets as finished products somehow, and for that to happen consumers must desire them, and trade pathways must be established to get them there in the form of a product.

Actors in Brazil must also understand that this is not only technological and commercial proposition, but very much a cultural one. Like their American counterparts, they must become dealers of identities and subjectivities. For a new product to be successfully introduced, a marketing campaign would have to be launched, in addition to the value-chain orchestration and product development implicit in such an endeavor. There exists an entire industry dedicated to creating room for new products in markets, through research, branding strategies, packaging design and targeted advertising and promotions. Though this happened mostly by accident with açai, corporations launch new products employing these strategies by the thousands each year.

In addition to a whole-chain approach, policy makers must learn to move from a productionist vision of development, to a more contemporary vision which considers exchange value. In order for other Amazonian commodities to find successful market pathways, it is important that the açai's myth be expanded to include its origins as an Amazonian cultural heritage product. This does not mean producing videos on Ribeirinho communities in documentary style. Such as can be found, for example, on YouTube, many of which were produced by the companies that market açai, such as Frooty. Consumers have very little interest in these stories, and do not really connect them to their purchase decisions. The ample research conducted by the leading açai brand in Brazil confirms this understanding. Actual documentary style information holds little meaning or interest to consumers, and certainly does not influence their purchasing decisions much. This vision of the Amazon as an uninhabited, homogenous forest is not helpful here. For the World, the Amazon must be an absence of human culture, and the imagery produced continues to reinforce this idea.

Yet there is a contemporary, vibrant, rich culture, with music, architecture, art, fashion trends, and cuisine that is relatively undiscovered. There is a nascent interest in the Amazon's culinary culture, thanks in great part to the exposure achieved by top chefs such as Alex Atala, a Brazilian chef who runs the restaurant D.O.M. in São Paulo, who makes a point of working with Amazonian ingredients in his Michelin starred restaurant. Chef Thiago Castanho from Belém is also increasingly well known, and his book is a best seller (Castanho, 2013). The State of Pará has begun to work on a gastronomical

project to market its food culture. Policy pathways such as this will generate interest in consumers, by portraying the people of Pará and their food as valuable cultural products, and not charity cases.

The fieldwork, the discussions, the visits to supermarkets and feedback from companies confirm that an aspirational myth is the key to securing a valuable place in markets for NTFP products. It is also in this way that new ingredients may find a compelling niche consumer market that is valuable, allowing the entire chain to operate year-round, and forming another source of income for all those involved. A myth that involves the origin of the product is important to the preservation of its traditional harvesting culture, but to find real acceptance, it must be one that is culturally proximate, and desirable, and not merely guilt-inducing. People are fascinated by 'foodie' programs and exotic cuisines, and these markets are tremendously profitable. There must be a space for Amazonian produce to fulfill this desire, if properly marketed. This is especially true of the US market, which could in many ways be more of an entryway than the Brazilian market itself.

## 9.6 Theoretical considerations for Value Chain Scholarship

For some time, GPN scholars have been calling for a program of study that integrates ideas of political economy and cultural economy into the actor-centric vision of chains within the wider value-chain literature, described in the present research. However, the GPN body of literature represents both context and intra-chain findings somewhat in parallel to each other, in a fashion that is descriptive and rich, but which can lack analytical precision. The further resolution of actor against structure debates is a crucial way forward for the development of GPN literature. Although the literature often references theories such as actor network theory, or structuration, as potential instruments to resolve these lacunae in reviews and programmatic papers, methodologies are not yet in place that can meaningfully integrate them into empirical research.

In the present research, Hess' s work to identify and analyze embeddedness was adopted as context in its tripartite conceptualization as a guiding principle in this research, for questionnaire design and analysis (Hess 2004). Conditions that influence the chain over time were investigated, including chain formation, establishment into a set configuration, and how these conditions then reshape local social relations to create certain development outcomes. The approach was successful in that it enabled the formulation of valuable practical policy recommendations for development praxis, as described above. These processes overlap and combine themselves to form outcomes over time, but do not, however, lead to a convincing model that dictates these

interactions. The actual interplay amongst actors and social structure to form the chain, and reform those structures over time is clearly observable, but difficult to capture analytically.

In a relatively new chain, such as the açai chain, as Hudson (2004) points out, spacio-temporality is a defining feature of networks, and so we can see how actors have, or have not, negotiated structures, and reconfigured them throughout the process of chain formation, and what strategies of value capture can and cannot be expected to succeed. For example, against a crushing territorial imperative, such as the geographic dispersion of açai extraction throughout the Tocantins estuary, a web of perfectly coordinated traders emerged to give shape to the network and enable trade, reshaping structural isolation into commercial proximity. In another context, the lack of innovation of the business environment in Brazil constricts its entrepreneurs' ability to participate in the international portion of the chain. Though we are left with this empirical knowledge, it is not clearly articulated with the theoretical tools of GPNs.

When is 'embeddedness' a condition to be negotiated by actors, and when is it an insurmountable structural barrier? How does this relation operate over time? These are not new questions. What emerges from the research is the need to clarify the meaning of 'embeddedness' as a tool to discuss structure and agency in GPN research. Mole and Mole (2010), for example, put forward an in-depth discussion on entrepreneurship as a negotiation between an actor and social structures, in a critique of the adoption of Giddens's (1984) structuration theory in favor of a critical realism perspective. This approach enables a critical analysis of how agency and structure interact over time (Mole and Mole, 2010). Such a detailed breakdown of how actors work individually and collectively to negotiate their environment, form chains and reshape structures would allow us to more precisely gauge what conditions and policies are crucial to the formation of certain chains, and with what outcomes. As these authors propose, we might first clarify what we mean by 'structure'. What Hess's (2004, 2008) approach does is conflate fundamentally distinct viewpoints into a single concept made up of three aspects. It is proposed here that these should be analyzed entirely separately. Territorial embeddedness is inherently tied to a certain place, a context that lies entirely outside of agents, against which they must position themselves. Meanwhile, societal embeddedness represents constraints that have been internalized by actors and which bind their behavior.

Finally, network embeddedness is really not an issue of context, but relates to the characteristics of the chain, to the types of bonds that actors form, within and outside the chain based on their own characteristics as actors in interplay within and across territories. This is an important distinction to make. Much of the issues surrounding

territorial embeddedness have either material manifestations (such as geographical isolation) or result from calcified institutional relations that relate to a place (such as the business environment), or the relation between places (Brazil's economic isolation). They are not entirely rigid, as some propose, but they are inherently different from the immaterial subjectivities that make up societal embeddedness, or the agile processual nature of network embeddedness.

For example, in a propitious business environment (contractual security, easy to open and close businesses) such as California, businesses organize themselves in diffuse networks, which encourages entrepreneurs in the food industry thatw are prone to risk-taking to introduce new flavors and products. Meanwhile those same risk-prone businessmen will organize their own verticalized production unit for açaí in Pará, where the business environment is challenging and unsure, to secure their supply. There, despite having their own factory, they still rely on a web of coordinated middlemen to source açaí, who are apt at negotiating the physical and market uncertainties of the region. The territory is a condition that entrepreneurs adapt to, within and across scales, to form trade networks, based on their own positionality. Territory does not truly block entrepreneurship from taking place and networks from forming, it merely forces entrepreneurs, particularly those in key brokerage roles, to adapt, forming different chain configurations across scales. In theory, a Brazilian businessman could make use of the co-packer complex in California to enter that market with products, for example. The limitations of his own business environment do not preclude moving across the network. It is this internal mindset, formed from cultural attachments, that prevents action. What territories do constrain is a region's own ability to attract entrepreneurial activity and capture value. Perhaps this aspect of chains, and scale-by-scale analysis, has been overly developed because value-chain research is so often employed to assist in building policies to allow regions to increase regional development. The table below aims to reshuffle some key data from this research to build causal relations, rather than juxtapositions, between agency (as constricted by societal embeddedness), region (territorial embeddedness) and chain (network), and how they may or may not, iteratively, reconfigure existing social structures over time.

It is the positionalities and subjectivities of actors will in fact enable them to work around territorial structures by forming network configurations. In turn, these new networks may or may not solidify into new institutional arrangements in and between territories. In the case study conducted in the present research, it is seen that the work of scale-crossing brokers in reconciling different territorial arrangements to make new chain connections is crucial to chain formation and for structures to be reconfigured. At the same time, efficient but closed circuits of bonds are crucial to chain solidification and institutionalization of relations. This is clear in the chain diagram in Chapter 4. When

scale-crossing brokers work to connect two or more poles of tight bonds, rather than simply make isolated connections, thick networks are built that can reform social structures over time. For example, Sambazon connects the Marreteiro networks of Pará with the co-packer networks of California, build a solid new chain, and many new configurations can form. It is the Black's brother unique agency, however imbued with America's entrepreneurial culture, which enabled these new solidified relations to take shape. In contrast, CAMTA, which works in isolation in Pará, does not reconfigure its surroundings in any meaningful way. These findings point to another form of studying value chains, based on how socially embedded actors (now strictly within Granovetter's (1973) conception) negotiate territories and form bonds over time, and how these bonds reshape territories. The center of analysis here would be the agency within networks, and might draw more on network theory and other theoretical constructs and methodologies, than the more linear methodologies ('follow the thing') which still dominates GPN empirical research.

Picking up from Levy's critique, the present work also found several instances where highly subjective discourses skewed interpretation of the chain (Levy, 2008). For example, actors across several stages of the chain find Ribeirinho participation inadequate, and, whether or not they are trying to save them or eliminate them, they decided to change them. For unreflexive development agencies, their labor is not valued per se, and must be corrected to merit more value capture. For proponents of monoculture conservation, they are unsuitable to participation and must be eradicated. The theoretical discussion around the cultural turn in value-chain studies is well illustrated by this situation (Amin and Thrift, 2008). Ribeirinhos are the largest producers of açaí, and there remains a tremendous amount of unexploited potential for açaí production to grow under the current model, requiring only the improvement of logistics and the better distribution of trading centres.

Marreteiros have been identified in this research as being extremely savvy businessmen, providing a variety of key services within the chain, amongst which logistics, insurance, quality control, regulating prices and ensuring the stability of supply to factories. Yet these actors are not respected as businessmen, out in the field, and are out of place in government meetings and other urban business settings. They are viewed as uncouth, ignorant, and a nuisance to the improvement of the chain, and tend to be excluded from discussions. To stake a right to a decent livelihood, they must at the very least be upgraded, capacitated, and ultimately, acculturated. Their present livelihood model, and cultural context, is of lower quality, and must be made to mirror those of other 'more official' actors. Certainly, many of them are unused to the settings in which workshops and discussions take place, but they are no less valuable to the

chain than any other actors. In fact, they are the gatekeepers to the Amazon's many undiscovered secrets and untapped cultural value.

It is the lens of outside actors' own prejudice that is at work here, and that precludes new, valuable chain formations from taking place. The research here should not be viewed as encouraging new cultural 'wormholes' to form new myths that value Ribeirinho products and reflect the cultural wealth and diversity of their livelihoods, but to exclude them from the chain. Meanwhile the CAMTA cooperative has succeeded in great part by copying their lifestyle, with its complex agroforestry system, and managed to become a direct exporter of a variety of exotic fruits. It is their different viewpoint which enables them to see and negotiate the same territory in an entirely different way.

These are not merely abstract, theoretical questions. Much care must be employed when policies are set in motion to 'upgrade' actors and to reconfigure chain formation. Top-down unreflexive intervention by biased actors can be unhelpful and disruptive. An overly depoliticized approach can easily lead to strategies for inclusion and empowerment that are in fact forms of oppression. Particularly when dealing with the rural poor, it is unwise to lose track of the socially constructed foundation of many inequalities. The idea that the poor would not be poor if they followed the linear progression towards prosperity that Western powers propose has already been demolished by development scholar such as Escobar (2011). It is not the mere building of warehouses and processing plants that will reshape the value of their labor. Without a heightened level of self-awareness, development agencies and policy makers can end up doing more harm than good.

In this context, the present discussion around myth formation and the subjectivities of value, makes important contributions to the refinement of GPN theory. It is through myth making that most value is changed in our contemporary economy. This, in global value chains, remains tightly in the hands of developed countries: the design and branding, the advertising. Meanwhile, the periphery continues to supply raw goods, and even processed goods, but none of the myths. In this way, the colonial system of trade somehow persists, with the periphery locked out of cultural creation (much as World Systems Theorists argue). Developed countries have long understood that it is through their cultural significance that they conquer markets and space. How much money does France pour into its cultural industries, its obtuse films and impossible couture, to make sure the whole world will buy all the perfume, wine and cheese that they can produce, with tremendous added value? They are aware that soft power is the way to retain control over the global geopolitical space. Meanwhile Brazil sells unbranded containers of commodities. This historic inability of the Brazilian economy, to move from an exploitation economy that sells commodities at price into the value creating power that



its tremendous culture certainly entitles it to be, is the bane of the açai berry trade, as much as it is of its many other commodity chains.

When development actors seek to redress these inequalities, they do not respond by strengthening the soft power of developing countries. Rather, they seek to expose corporations with raw images of poverty, to 'break the fetish'. In this way, they instrumentalize poverty in the developing world to continue the debate based on their ideology and principles. They are trying to change their own societies, but are not necessarily helping others. The lower orders remain silent. If value is formed subjectively through myths, the developing world must be encouraged to form and propagate its own myths of aspiration. It must find ways to showcase the sophistication of its culture, its cuisine, its fashion, its film-making.

The research community, and the developers and implementers of projects aimed at forest products must begin to look at new horizons when discussing the formation of markets for their products. There are many avenues available, and engaging with the communities of practice that dominate these immaterial activities is crucial. Though the semiotic sorcery is intangible, the impacts are very real. Practitioners must trust that investing in adequate branding and marketing is not superfluous, but crucial to project success.

These findings provide a foundation to guide policy-making within the açai chain itself, but can also come to inform the design and implementation of projects aimed at creating income for forest-dwelling populations through the establishment or development of trade relations, and trade-based development interventions in general. They also make a strong case for the application of holistic, full chain approaches to the study of such interventions. For NTFP interventions to truly become a vector of conservation and development, a new approach is urgently needed, one which looks at the interplay of agency and context throughout its entirety, and which incorporates the subjective formation of value as an instrument of development, rather than only as an ideological construct.

**Table 9.1 - Final analytical matrix**

<b>Societal embeddedness – ACTORS</b>	<b>Territorial embeddedness – TERRITORIES</b>	<b>Network embeddedness – NETWORKS</b>	<b>Impact on Territories</b>
Marreteiros have Ribeirinho origins, ability to work informally but also to negotiate with larger urban entities	Several isolated communities, with large distances between them in the interior of Pará, Brazil	Marreteiros collaborate to organize a web of actors that work in coordination to supply urban buyers	Geographical isolation is undone: communities are no longer isolated
Pará businessmen, unaccustomed to adding value and reaching markets, unappreciative of Ribeirinho economy	Lack of support industries and credit, historical isolation from more developed areas of the State of Pará	Form isolated, low value added industrial units who are passive in the chain (in both directions)	Despite their passivity, their presence in the chain builds a conduit for Ribeirinho products to the world, further eliminating their isolation – yet the region remains a place of low value, exploitative commodity production
São Paulo businessmen ‘more professional’ and savvy, but not prone to marketing or myth creation	Improved business environment in São Paulo, close to consumer markets, and with better support industries, but low contractual security makes tasking risks expensive	Actively pursue supply or raw materials only through factories in Belém , form verticalized production units in the South and their own brands, but use a network of distributors to access retailers	A conduit of trade from the North to the South, before nonexistent, is now in place, which could form the base for further trade – but because of actor mindsets remains limited
São Paulo businessmen ‘more professional’ and savvy but not prone to marketing or myth creation	Highly innovative business environment in California, with a high turnover of new products and heavy marketing	São Paulo businesses disconnected from the chain in California	

<p>Californian businessmen, encouraged culturally to take risks, and culturally accustomed to myth formation</p>	<p>Improved business environment in São Paulo, close to consumer markets, and with better support industries, but low contractual security makes tasking risks expensive</p>	<p>Copy product myth in Brazil, but source their own product directly in Pará and take production to the US, leaving Southeast Brazil locked out of the international chain</p>	<p>Structural isolation of Brazilian economy remains in place, despite the transposition of valuable product myth</p>
<p>Californian businessmen, encouraged culturally to take risks, and culturally accustomed to myth formation</p>	<p>Advanced, decentralized food industry in California, with production set out across co-packers, encourages company to focus on marketing and innovation</p>	<p>California businessmen embed the açaí chain into the existing web of food production in the region, and focus on branding and marketing</p>	<p>Direct trading bonds with Pará, with the potential to increase trade based on sustainability, local cultural identity and quality</p>

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### Annex I Interview List

1	Interviewee	Function	Place	Time period
2	SEBRAE	support institution	Belém	Jan-12
3	Embrapa	support institution	Belém	Jan-12
4	Ben Hur	factory	Belém	Jan-12
5	SAGRI	government	Belém	Jan-12
6	Sindfrutas	support institution	Belém	Jan-12
7	CAMTA	factory	Tomé-Açú	Jan-12
8	Bela laçá	factory	Belém	Jan-12
9	Amazonas Importados	factory	Belém	Jan-12
10	Marquinhos	support institution	Curralinho	Feb-12
11	Galileu	marreteiro	Curralinho	Feb-12
12	Walter Martins Nogueira	ribeirinho	Curralinho	Feb-12
13	Martim	ribeirinho	Curralinho	Feb-12
14	SECOM	support institution	Belém	Mar-12
15	Benê Fernandes	marreteiro	Limoeiro	Mar-12
16	Cristiano Vaccaro	monoculture	Santarém	Mar-12
17	Imperador açai	factory	Abaetetuba	Mar-12
18	Beto	marreteiro	Abaetetuba	Mar-12
19	Liel Barbosa	marreteiro	Limoeiro	Mar-12
20	Renildo	marreteiro	Limoeiro	Mar-12
21	Rufino	ribeirinho	Limoeiro	Mar-12
22	Manuel	marreteiro	Limoeiro	Mar-12
23	Silvana	ribeirinho	Limoeiro	Mar-12
24	Amazonia 100%	trader	Belém	Apr-12
25	Adilson	marreteiro	Belém	Apr-12
26	Vera	batedor	Belém	Apr-12
27	Afonso	batedor	Belém	Apr-12
28	Regina	academic	Belém	Apr-12
29	Clayton Braga	ribeirinho	Breves	May-12
30	Dinaldo Braga	ribeirinho	Breves	May-12



31	Jorge Braga	ribeirinho	Breves	May-12
32	Lobato	ribeirinho	Breves	May-12
33	Fabiane Viva Marajó	support institution	Breves	May-12
34	Nena	government	Breves	May-12
35	lideres associação	support institution	Breves	May-12
36	Graciele	ribeirinho	Currálinho	Oct-13
37	Samuel	ribeirinho	Currálinho	Oct-13
38	Marciele	ribeirinho	Currálinho	Oct-13
39	Maria Batista	ribeirinho	Currálinho	Oct-13
40	Arnaldo	ribeirinho	Currálinho	Oct-13
41	Maria Rocha	ribeirinho	Currálinho	Oct-13
42	Maria dos Santos	ribeirinho	Currálinho	Oct-13
43	Manuel Ferreira	ribeirinho	Currálinho	Oct-13
44	Graciane Ferreira	ribeirinho	Currálinho	Oct-13
45	Manuel Batista	ribeirinho	Currálinho	Oct-13
46	Ana Lúcia	ribeirinho	Currálinho	Oct-13
47	Antonia Maria Nunes	government	Currálinho	Oct-13
48	SPU	government	Belém	Dec-13
49	Marquinhos	support institution	Currálinho	Oct-13
50	André Schwob	trader	Belém	Dec-13
51	Carlos	batedor	Belém	Dec-13
52	Robson Gracie	supporting on history of chain	Rio	Jan-14
53	Cordeiro	academic	Belém	Dec-13
54	Cooperativa Abaetetuba	ribeirinho cooperative	Abaetetuba	Dec-13
55	Marcelo - Frooty	factory	São Paulo	Jan-16
56	Ricardinho	retailer	Santos	Jan-16
57	APEX	government	Brasília	Jan-16
58	Toca do Açaí	franchiser/factory	São Paulo	Jan-16

59	Ecofresh	factory	São Paulo	Jan-16
60	Bela Ischia	distributor	Rio de Janeiro	Jan-16
61	ABRAS	brazilian supermarket association	São Paulo	Jan-16
62	Açaí São Paulo	factory	São Paulo	Jan-16
63	Coca Cola	factory	Rio de Janeiro	Jan-16
64	Dra. Silvia Germer	academic	São Paulo	Jan-16
65	José Dalton Cruz Pessoa	academic	São Paulo	Jan-16
66	focus group	consumers	São Paulo	Jan-16
67	Marcia Bisker	marketing expert	São Paulo	Jan-16
68	Mondial	distributor	São Paulo	Jan-16
69	Focus group	consumers	California	Feb-15
70	SAMBAZON	factory	California	Mar-15
71	Tainá Marajoara	NGO	Belém	Mar-16
72	SAGRI Pro Açaí	government	Belém	Mar-16
73	MMA	government	Brasilia	Mar-16
74	MEDIC	government	Brasilia	Mar-16
75	Amafruits	distributor	California	Mar-15
76	Backyard bowls	fresh açaí bowl retailer	California	Mar-15
77	Açaí Roots	pulp and mix company	California	Mar-15
78	California food assoc.	support institution	California	Mar-15
79	Liquid juice bar	juice bar	California	Mar-15
80	Nativo açaí	distributor	California	Mar-15
81	Nativitas	US brand selling powder	California	Mar-15
82	INCRA Belém	Government	Belém	Dec-13
83	Alexandre, Demarchi	distributor/factory	São Paulo	Feb-16
84	Raquel DeMarchi	factory	São Paulo	Feb-16
85	Banca Maranhão	retailer	São Paulo	Feb-16
86	Açaí do Trevo da Anchieta	retailer	São Paulo	Feb-16



87	Padaria Maranhão	retailer	São Paulo	May-16
88	Banca da Dr. Arnaldo	retailer	São Paulo	May-16
89	PHD Student ITAL	academic	São Paulo	May-16
90	Group of youth in Limoeiro	ribeirinho	Limoeiro	Mar-12
91	Coca Cola	factory/brand	Rio de Janeiro	May-16
92	Peabirú	NGO	Belém	Dec-13