

Transaction Costs in an Association of Organic Farmers in Goiania, Brazil

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This study aimed to analyse the transaction costs of an association of organic farmers located in Goiania, Goiás state, Brazil. We analysed the marketing and organisation relations based on data collected at the Association for the Development of Organic Farming in Goiás state (ADAO/GO). This association exists since 2000. It brings together small farmers, technicians and consumers who practice organic farming and are organised to improve the marketing, disseminating production techniques, and encourage the consumption of organic products. Information were obtained through interviews with association leaders. The ADAO/GO association provides public places for direct to consumer marketing. Marketing through supermarkets and other retailers is discouraged because of their predatory pricing policy. Since the attribute of being organic is invisible to the consumer, to establish and to sustain a lasting relationship between farmers and consumers is a challenging issue. Certification is one possible strategy to reduce information asymmetry and overcome distrust of consumers regarding organic products. However, certification cost may be high and will only pay off if the costs of measuring an invisible trait, e.g. as being organic, are high enough. A label of the association exists and is used by all member farms. As long as all farmers follow the rules, the label will get stronger and its reputation may improve. If, for any reason, a member farmer decides to break rules of the certification scheme, the whole association will suffer the consequences. This is the main transaction cost related to the collective action of the association and its common certified marketing label.

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