



What Does it Mean to be Socially Responsible?

Case Study on the Impact of the Producer-Plus-Program on Communities, Women, and the Environment in Ecuador

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Introduction

Cacao production is very important to rural economies of many tropical countries throughout the tropics in Africa, Latin America, and Asia. In fact, cacao is the second most important cash crop in the tropics. However, many of these countries do not have the resources to provide the majority of cacao producers, who are mostly smallholder farmers, with the proper assistance to encourage farmers to utilize more productive and sustainable methods. Ecuador is no exception. Economic and financial crises have exacerbated the difficulties faced in providing basic agricultural extension services for cacao and many other crops. In particular, a banking crisis in the late 1990s and early 2000s left the government with a very limited budget to provide basic services. Due to the crisis and the International Monetary Fund structural adjustment program, the government was forced to cut back on many governmental services, including the limited extension programs (Buck and Alwang 2011).

Our research examines extension efforts in Ecuador and their relationship to sustainable production and women's empowerment. In particular, we study how the Producer-Plus-Program, which is being implemented by the cacao exporting company Transmar Ecuador, is developing a new paradigm of jointly marketing cacao and delivering extension services to the farmers. The Producer-Plus-Program will expand Transmar's efforts from just buying cacao directly from the farmers to providing them with sustainable production certification, offering agricultural training, and supporting community development efforts. Transmar hopes that the Producer-Plus-Program will fill the vacuum for extension services in an effort to both enhance cacao production and improve the livelihoods of rural communities.

This case study is divided into four main sections. In the first, we provide an overview of the traditional cacao value chain in Ecuador and how smallholder farmers have been sidelined from the market. In particular, we discuss women's roles in the cacao value chain and the importance of cacao agroforests in providing habitat for endangered plant and animal species. We then examine how Transmar has worked

to develop a new model for the cacao value chain that removes the middlemen in an effort to enhance the company's financial sustainability while also providing smallholder households with fair prices and agricultural training and other support services. We then explain the methodology we employed to analyze the extension services being offered in Ecuador in the third section. Our results section provides qualitative and quantitative analysis. We share the stories told to us by farmers of unfair marketing practices and lack of technical assistance as well as results of a survey on the availability and types of extension services offered to smallholder households. We provide analysis of the impact that extension programs could have on women's empowerment in rural Ecuador. Finally, we show how the Producer-Plus-Program is being developed to address these questions and in what ways it may be enhanced to meet the needs of smallholder households.

Cacao in Ecuador

History of Cacao in Ecuador

Cacao production has a very important place in the Ecuadorian economy and society, especially to smallholder producers who depend upon it as one of their few sources of cash income. Thus, the support of these farmers has significant consequences for Ecuadorian society. Cacao is native to the Ecuadorian Amazon and its exploitation was important in financing Ecuador's struggle for independence in the mid-1800s. In Ecuador, cacao has traditionally been raised using agroforestry methods with a native variety known as cacao Nacional ("Historia del Cacao" 2013). Cacao Nacional is known for its high quality throughout the world. Although Ecuador is only the fifth largest producer of cacao in the world, it controls over 65% of the market for cacao utilized in the highest quality chocolates ("El Cacao" 2013).

Importance of Cacao to Smallholder Farmers

Unlike other important export agricultural products in Ecuador (i.e., bananas and shrimp), Ecuadorian cacao is raised almost exclusively by smallholder producers. Indeed, over 30% of Ecuadorian cacao farmers own less than five hectares of land. Because the cacao industry is a major

employer in Ecuador (the cacao sector employs 12% of the economically active population in the country, according to the Coporación de Promoción de Exportaciones e Inversiones, 2009), this crop represents an important source of cash for smallholder, subsistence families. They often depend upon it not only for cash income but also for the associated crops of plantains, oranges and other fruits to meet the family's nutritional needs (Useche and Blare 2013). Thus, the success of the cacao industry is particularly important in confronting rural poverty in Ecuador, especially in the coastal region of the country (Rural Poverty Portal 2009).¹

Traditional Cacao Value Chain

Although much of Ecuador's cacao production is undertaken by smallholder farmers, the traditional cacao value chain has provided them with only a small proportion of the value of the final products and with little outside support to enhance their production capabilities. For over a century, farmers would follow basically the same practices to harvest and market their cacao. Farmers and their families would harvest, ferment, and dry their cacao. The cacao would then be sold to a middleman who would discount the price if the cacao was properly harvested and dried. The middleman would either sell this cacao to other, larger middleman or directly to the exporter companies that would ship the cacao overseas to chocolate makers, particularly in the United States and Europe. Ecuador has little chocolate making capacity and consumes very little chocolate when compared to Western consumers, so little of the cacao produced in Ecuador is consumed in the country.

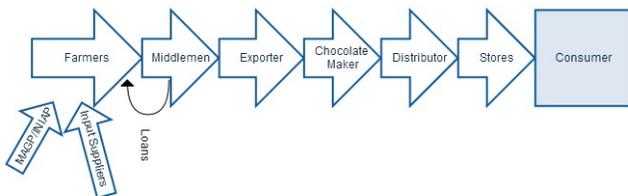


Figure 1. Traditional Cacao value chain

In this traditional marketplace, there has been little contact between the different members of the value chain, just a transactional relationship to sell cacao beans from one entity to the other (Figure 1). Thus, consumer preferences were not well communicated down the chain because cacao was traditionally sold as a commodity and not differentiated into

¹ In 2009, 57.5% of rural Ecuadorans, who are dependent on agriculture for their livelihoods, lived below the poverty line compared to just 36.0% for the country as a whole. On the coast, the important cacao producing northern provinces of Los Ríos, Manabí, and Santo Domingo de los Tsáchilas face particularly high levels of poverty.

different markets by quality characteristics. The little support farmers received came from the Ecuadorian Ministry of Agricultural, Livestock, and Fisheries (MAGAP), or by the National Institute for Agricultural Research (INIAP). Smallholder farmers had no access to credit except for small loans at high interest rates that middlemen may have provided to allow the families to buy food and other household needs in between harvest seasons.

Cacao Production: Environmental and Gender Equity Aspects

This traditional value chain has largely ignored the environmental and gender equity ramifications associated to the cacao production process and to the extension services provided to producers. Because of its economic importance to rural families, cacao plays an important role in female empowerment in Ecuador. Women's involvement in production and management of the crop provides an indicator of their influence in impacting household decisions and control of economic resources. The support of this sector through adequate extension services can have large implications on the status of rural women in a country where women have traditionally been sidelined to domestic work and lacked equal political rights. While Ecuador has made advances in gender equality in recent years – women now have greater access to educational and careers opportunities, equality in inheritance and marital property rights, and gained positions of authority in Ecuadorian society – these advances do not necessarily mean that Ecuadorian women are on equal footing with men. Many women have not equally participated in these advances, especially in rural areas and the coastal region, which is the main cacao production area. Many women have been excluded from utilizing these new rights, participating in economic activities, and being allowed to make important household and farm decisions (Perez Orozco 2009; ECLAC 2011; Twyman 2012).

A case study in the coastal province of Manabí found that women are generally seen as helpers on cacao farms even though they perform many of the same tasks as men and are almost entirely excluded from marketing of the product (Ponton Cevallos 2005). Due to the laws that protect female property rights, Ecuadorian women were also found to own as many assets as men. However, the types of assets that women and men own are different. Men are more likely to own the more economically lucrative assets. Rural Ecuadorian women own nearly as much agricultural land as men but were less likely to own expensive inputs such as machinery or large livestock. Furthermore, a discrepancy exists between communities in coastal zones and those in the rest of the country, as women in coastal regions are less likely to own land than women in the Andean region (Deere and Diaz 2011).²

² Coastal women solely or jointly owned 49% of agricultural land, while women in the Andean region solely or jointly owned 73% of the agricultural land.

In addition to its social and economic importance, the type of cacao production system adopted by farmers has important ecological consequences for Ecuador. Traditional agroforestry production methods have been recognized for providing a habitat for threatened animal and plant species (Suarez 2013). This habitat is particularly important in the main cacao-growing region on the coast of Ecuador, as it is located in the biodiversity hotspot, an area home to many endangered and endemic plant and animal species. Because of cacao's ecological importance, nongovernmental organizations (NGOs) that promote environmental conservation have joined governmental institutions, private industry, and even religious institutions in changing the value chain so that it promotes sustainable production practices and ensures the profitability of agroforestry production systems for smallholder farmers.

Consumers' Voice in the Value Chain

Changes in consumer preferences and chocolate makers' demands at the top of the cacao value chain have also encouraged these efforts to support smallholder cacao producers. Chocolate consumers have become more concerned that the cacao is produced using ecologically and socially conscience methods. They are demanding cacao that is produced using sustainable methods such as preserving the diversity of agroforests, utilizing few agrochemicals, and ensuring the dignified treatment of those who work the cacao fields, a large proportion of which is made up of women. Transmar executives described how two of the largest U.S. chocolate makers, Mars and Hershey's, are demanding that all cacao they purchase be sustainably certified by 2020. Furthermore, consumers in the United States have begun demanding high quality dark chocolates.

These consumer demands are altering the cacao market from one that consisted of selling a bulk commodity to one that is differentiated by quality and other characteristics. Major chocolate purchasers are demanding a cacao value chain that is responsive to consumer preferences. Changes in consumer activism are making exporters like Transmar respond to their needs. These consumer demands have been an impetus for Transmar to propose a new paradigm for the cacao value chain that not only ensures a future for the company in a rapidly changing market but also improves the lives of smallholder farmers and the communities where they live.

Transmar: Ecuador's new cacao marketing paradigm

Transmar Ecuador is an important player not only in the Ecuadorian cacao market but also in the world marketplace. It is part of Transmar Group, a United States-based multinational company with operations throughout Africa, Asia, and Latin America. It is the largest grain and semi-elaborated cacao exporter in Ecuador ("Estadísticas

Historicas" 2013).³ Thus, Transmar's efforts to change how cacao is produced and sold have implications throughout the industry on an international scale. Transmar Ecuador has developed a new cacao paradigm by developing a new method to purchase cacao, building trust among the farmers, offering agricultural training, partnering with other organizations in the value chain, assisting farmers to obtain sustainability certification, and supporting efforts that enhance the wellbeing of rural communities.



Photo 1. Ecuadorian cacao beans ready for shipping

One of the most important aspects of Transmar's new paradigm is removing the middlemen from the value chain (Figure 2). Transmar is striving to purchase cacao directly from the producer. Transmar's desire to meet the quality standards of chocolate makers and consumers has been an important motivator in encouraging the company to purchase directly from the farmer. This purchasing method allows Transmar to control the entire post-harvest process from when the cacao is harvested until it is placed on the ship. These high transaction costs in the traditional value chain proved too costly not only for quality control but also for ensuring the integrity of the Transmar brand to source high quality cacao to its customers for the company to continue its established relationship with middlemen. For these reasons, Transmar made the tactical decision to internalize the role of the middleman (Barzel 1982; Olstrom 1998; Williamson 2005).

³ For the nine months from January to September 2013, Transmar was by far the largest exporter of semi-elaborated cacao in Ecuador, controlling 32% of the market with an export volume of 3,580 metric tons. The company also controlled 8% of the Ecuadorian grain market with exports of 9,512 metric tons.

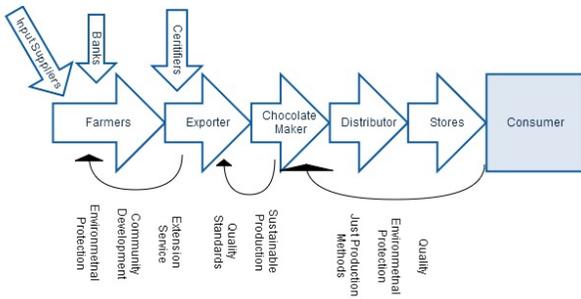


Figure 2. Transmar's New Conceptualization of the Cacao Value Chain

This vertical integration provides many benefits for Transmar Ecuador. Most importantly, the company is able to control the quality of the product and trace the cacao back to the farm. Quality is extremely important to this market, since Ecuadorian cacao is sold in gourmet chocolate markets. Furthermore, some chocolate makers are demanding cacao from particular regions of Ecuador because of the unique flavor characteristics particular to each agro-ecological locality. Therefore, Transmar must guarantee the origin of the cacao and keep the product separated from the farm to port. The company can only provide this guarantee if it controls the product at all levels of value chain. Meeting these quality guidelines may provide large payoffs for Transmar, as it receives premiums for selling high-end cacao, to cover costs and invest in its facilities. Transmar is bearing a substantial amount of financial risk in investing in the infrastructure and personell to ensure the highest quality product.

In order to purchase directly from the farmers, Transmar has made an effort to establish a presence in rural communities throughout coastal Ecuador. The company has established four buying stations located in the Guayas and Los Rios provinces, which are the provinces nearest the main export city Guayaquil where the Transmar processing plant is located. It has made plans to build an additional center in Esmeraldas, Ecuador's most Northern province. The establishment of these locations is a radical change for an export company in the cacao value chain. Historically, these companies have only been located near the port in Guayaquil and had no contact with farmers.

This new value chain also provides many benefits to smallholder cacao farmers. Nearly all the cacao that Transmar purchases in the buying stations is purchased wet before it has been fermented and dried.⁴ The farmers do not

⁴ The exception to this practice is in Vinces buying station where Transmar often buys cacao in the pod and hires women to open the pods at the plant in order to control the entire post-harvest process, as the cacao demanded from Vinces

have to complete the post-harvest activities of drying and fermenting. These post-harvest activities can be time-consuming and very difficult during the rainy season when there are few sunny days to dry the beans. Second, farmers do not have to worry about having their price discounted if the cacao has not been sufficiently dried. Since the company provides a convenient location for the farmers to sell their cacao, the cacao producers can save on transportation expenses.

Transmar has also changed the buying experience by paying farmers through electronic transfers instead of cash. The buying agents and farmers had been targeted by thieves when they traveled with large amounts of cash to pay farmers. Now, when a farmer sells his/her cacao the payment is transferred to his/her bank account the next day. Transmar buying agents are even starting to use a handheld electronic device that records the purchase, prints off a receipt, and sends in the transfer to be processed by the bank. Electronic transfers have helped Transmar in streamlining their business process and meeting Ecuadorian tax regulations.

This new method of distributing payment, however, has proven to have its disadvantages. Some farmers, those without bank accounts, have to wait several days until they can travel to a bank and then stand in line for several hours at the bank. The farmers without bank accounts tend to be the poorest and most marginalized. Farmers who have become accustomed to living in the informal economy and not paying taxes are now required to obtain tax identification numbers and file tax reports or even pay income tax if they sell enough cacao. Meeting the requirements required by the Ecuadorian government has proven to be challenge for farmers, many of whom are illiterate. Thus, this new cacao marketing paradigm has created its own challenges for smallholder farmers. Elderly and more marginalized farmers have particularly had faced difficulties in adapting to this new system.

Revolution in the Buyer/Extension Provider

The new paradigm of the cacao value chain that is being created by Transmar has not only removed the middlemen by replacing them with its own buying agents, "agronomists", who simultaneously purchase cacao and provide agricultural training and assistance. Many times, they travel to farms and/or farmers' associations to purchase wet cacao, answer production questions, and provide training. These agents have become the face of the company. Transmar hires agents who have experience working with farmers in the area; thus, the agents can encourage neighbors, family, and/or friends to do business with the company. When cacao production is low, buying agents can often be found in farmers' fields conducting trainings or pruning trees. Transmar has hired agents who once worked for NGOs or other institutions that

must meet the highest quality standards for the gourmet chocolate market that demands this cacao.

have been involved in agricultural training efforts. In particular, many of the buying agents worked for a large cacao improvement program sponsored by the United States Agency for International Development (USAID) and a US-based NGO, ACDI/VOCA. The company has been able to incorporate many of the farmers' organizations that participated in the ACDI/VOCA field schools into its network.

Building Trust through Fair Pricing

Transmar's new paradigm for the Ecuadorian cacao market has fundamentally changed the relationship between the farmer and the cacao buyer. Trust, kinship, and communal bonds play a role in the ability to achieve long-term economic coordination (North 1994; Williamson 2005). In addition, the farmers need to trust Transmar in order for them to adopt the production improvement practices promoted by the company (Buck and Alwang 2011). Rather than having an impersonal relationship based on a one-time sale of cacao, Transmar has also been striving to gain farmers' loyalty. To ensure a continuous supply of cacao, Transmar must develop a long-term relationship with the farmers.



Photo 2. Transmar sign in the Naranjal Station promoting that it pays fair prices and makes secure payments

To build this relationship, Transmar practices complete pricing transparency with its farmers. Farmers, who sell to Transmar, receive the export price in Guayaquil, which can range from 10% to 20% more than the price that middlemen pay. Farmers can call or send text messages to buying agents to receive daily pricing information. In addition, Transmar pays a premium for higher quality cacao including disease-free and sustainably produced cacao. In fact, the company promotes its fair pricing practices and has placed large billboards outside of its buying station promoting its prices. To demonstrate its transparency, the company uses electronic scales where the farmers can easily verify the weight of the product as it is purchased.

Creating Loyalty by Offering Support Services to the Farmers

The company also has built loyalty with the farmers through extension and social programs that support farmers and rural communities. It has donated school supplies to school children in the communities where cacao is purchased and is developing plans to become involved in public health and sanitation efforts. Creating farmer loyalty is especially important as the market for quality cacao becomes more and more competitive. Other large exporters such as Nestle and Armajaro, Ecuadorian chocolate makers, and Maquita Cushunchic Comercializando como Hermanos (MCCH), a Catholic, Ecuadorian NGO, have also started to purchase cacao directly from farmers in areas with high quality cacao.



Photo 3. A smallholder farmer in the province of Santo Domingo de los Tsa'chilas who was hired by MAGAP to prune older cacao Nacional trees as part of the national pruning campaign

One example of Transmar's efforts to strengthen its relationship with smallholder producers is the extensive pruning work carried out by its buying agents on farms of some of their most loyal customers. These pruning efforts, in turn, contribute to rejuvenating the most traditional, older, agroforestry cacao plantations (some that are 100 years old or older). Once the trees are pruned, they become more productive - a win-win-win situation where Transmar has more of this high quality after-product, the farmers produce and earn more, and environmental services in the system increase. More profitable cacao fields incentivize farmers to maintain these species' rich agroforests rather than replacing them with monoculture production systems or other agricultural systems.⁵

⁵ These pruning efforts have been shown to be so important to ensure the continuance of these agroforests that MAGAP has

Another service that Transmar Ecuador provides to its farmers is assisting them in becoming certified in the use of sustainable production practices. In the traditional cacao value chain, farmers would have to obtain this certification on their own. However, smallholder farmers lack the resources to purchase and knowledge to fulfill the requirements to obtain this certification. Only the wealthier farmers have been able to be certified independently, a reality not only in Ecuador, but also throughout Latin America and other developing countries (Neilson 2008; Gomez et al. 2005; Getz and Shreck 2006; Nelson and Galvez 2000). As part of the relationship that Transmar has built with smallholder farmers in this new marketing paradigm, Transmar rewards loyal cacao suppliers by paying for the certification, training them in meeting requirements, and assisting them in fulfilling the verification requirements. From a business perspective, providing certification to smallholder farmers allows Transmar to gain access to niche markets that it would not be able to otherwise enter. Farmers in turn earn premiums that help financing agricultural trainings and community projects so they are incentivized to utilize sustainable production methods.

This certification also has several additional positive externalities for Transmar and the farmers. The positive ecological impact of agroforestry cacao production enhances the wellbeing of smallholder households from the presence of native plants and animals in addition to other environmental services (Useche and Blare 2013; Blare and Useche 2013). Smallholder households may be encouraged to preserve these agroforestry systems if they can earn more income from them. These certification activities also provide Transmar with a marketing tool to promote its sustainability practices, distinguish itself from other exporters, and expand its potential to sell to different eco-label cacao purchasers.

Partnerships with Different Actors in the Value Chain in the New Paradigm

In this value chain paradigm, Transmar has not only been striving to communicate and build relationships and partnerships with farmers, it has also been partnering with other players in the cacao value chain, particularly with input suppliers and other institutions offering extension services, including MAGAP and INIAP. In particular, Transmar is working with Syngenta, one of the world's leading agrochemical distributors. Syngenta has also realized that a vacuum exists for extension services in Ecuador and other developing countries. It has stepped in to train farmers in the latest production techniques and to conduct research to improve these technologies in order to expand the market for their goods. Importantly, Syngenta has established objectives to improve the environmental stewardship of the

farmers it assists as well as empower women. They have realized that consumers, especially in Europe where Syngenta is based, are demanding that the value chain meet sustainability and social justice requirements. These motivations have led Transmar and Syngenta to have some of the similar objectives in changing the cacao value chain.

These companies are working together to establish demonstration plots and hire agronomists, who serve as extension educators and work with the smallholder cacao farmers that sell to Transmar. The demonstration plots will allow farmers to see the latest technologies, including the most advanced pruning and irrigation methods, as well as learning how to use agrochemicals that meet standards of certification agencies. The agronomists that these companies hire will organize the farmers to visit the demonstration plots, as well as visit the farms to support the farmers in implementing the practices utilized at the plots. In this way, the farmers will produce more cacao to sell to Transmar and will efficiently use the crop protection products provided by Syngenta.

Examining the Paradigm Shift in Extension in Ecuador

To better understand the reality of smallholder cacao producers in Ecuador and the effectiveness that Transmar extension programs may have on the livelihoods of rural families and women's empowerment, household interviews with 318 cacao producing households were conducted throughout coastal Ecuador. These interviews took place from February through July 2013. They consisted of a household survey that included questions on household demographics, production practices, costs, revenues, the gender of decisions makers with respect to important production and household decisions, land tenure and owners' gender, access and type of extension programs offered to the farmers, access to credit, and biodiversity of the fields. The survey design was based on previously collected information from focus group meetings held with farmers' associations near Santo Domingo de los Tsáchilas in June and July 2012. The focus group discussions included an analysis of the perceptions of women's roles on the cacao farms, the environmental benefits of cacao agroforests, availability of extension services, and the composition of the cacao value chain.

Unstructured interviews were also held with several farmers' associations, Transmar employees, and extension educators from MAGAP and MCCH. Meetings with the farmers' organizations provided clarification of the results from the structured interviews with the farmers. In fact, many communities preferred meeting as a group to share their concerns corporately before participating in individual interviews. The interviews with the extension provided a unique perspective of the Ecuadorian cacao industry and challenges they faced in providing agricultural training

begun to work with exporters such as Transmar and MCCH to coordinate and support a country-wide pruning program.



Figure 3. Map of Ecuador

- Site of Transmar's future buying station in La Concordia
- Preliminary focus group meetings near Santo Domingo
- Transmar's Buena Fe Buying station
- Transmar's Vinces Buying station
- Transmar's main plant and offices in Guayaquil
- Transmar's Taura Buying station
- Transmar's Naranjal Fe Buying station

The work concentrated on the four stations where Transmar purchases cacao in the Los Rios and Guayas provinces and in the Esmeraldas province, where Transmar is planning to open a station (Figure 3). Interviews in the Taura buying station were conducted in March 2013, in the Naranjal station in April, the Vinces station in May, the Buena Fe station in June, and Quininde in July. The enumerators consisted of a male/female team. The team always attempted to interview the principal couple of the household. Mixed gender teams allowed for both male and female participants to be more willing to share their experiences. Each of these sites provides a unique story about the livelihood strategies of smallholder cacao producers, the Ecuadorian agricultural industry, and extension efforts undertaken by Transmar and other institutions in order to enhance agricultural production. The tactics we utilized to contact and interview farmers varied accordingly, across buying stations.

Description of Sampling Area

The first research area, the Taura station vicinity, is located near Guayaquil, Ecuador's main port city where Transmar's processing plant and offices are located. All the land in the area used to be owned by large landowners until land reforms undertaken by the Ecuadorian government, first in

the 1960s and strengthened in the 1980s, provided landless peasants with the opportunity to own their own farms (Gondard et al. 1988). As the farmers in Taura explained, the government provided land cooperatives with loans to purchase the land that was then equally divided among the families in each cooperative. Thus, these households have small landholdings averaging six hectares (Figure 4) but operate under umbrella cooperative frameworks.

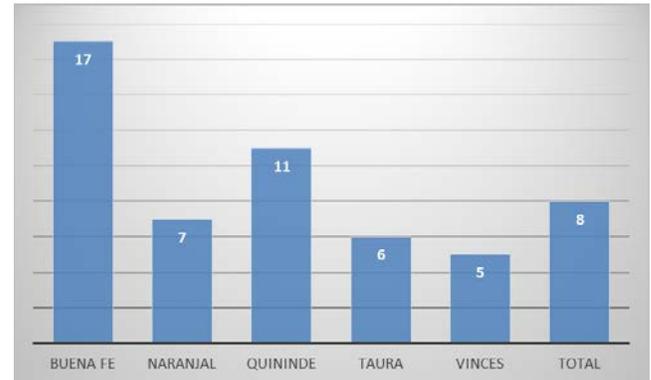


Figure 4. Average landholdings for households in hectares in the study sites

This buying station was the first one that Transmar established once it began purchasing cacao directly from the farmers in 2007. It is located within the Boliche campus of the Ecuadorian National Agricultural Research Center, INIAP. As this institution is developing improved cacao Nacional varieties, many of which have been planted in the surrounding farms, INIAP supports Transmar's efforts in order to provide a buyer for the smallholder producers it has assisted.

The second sampling area, Naranjal, is located in a transitional area between the coastal and Andean regions of Ecuador. Like Taura, much of the area in the Guayas province had been divided into large haciendas. However, many of the haciendas near Naranjal remain intact and were not affected by the land reforms. Landless peasants, who moved to the area in the 70s and 80s, took the land that is owned by smallholders.⁶ Unlike the other study sites, this area has had a large population that has migrated either to the United States or to Spain following the Ecuadorian financial crisis in the early 2000s. However, the economic crises in the United States and Spain have encouraged many of these migrants to return. Some of these returned migrants have saved money to purchase farms and many households still have family

⁶ The farmers would squat on an area of land and fight the large landowners and even the police and military, who tried to remove them. During the land reforms of the 80s, they were granted title for this land in small plots of about 2 hectares per family.

members overseas. Most of the migrants are men, who have left wives and families behind; thus, a large proportion of women in this area are left to run the family plots or to purchase land with remittances their husbands, brothers, and/or fathers send.



Photo 4. Ecuadorian Ministry of Agriculture, Livestock, and Fisheries (MAGAP) billboard promoting land distribution efforts

Another contextual characteristic of Naranjal is that the large haciendas grow mostly bananas and cacao CCN-51. In fact, Naranjal is well known for cacao CCN-51 as the farmers boast that the variety was developed there. Only the smallholder farmers still raise cacao Nacional in agroforests. They are the remnants of the cacao Nacional that used to be raised on the haciendas. Some of these agroforests are well over 100 years old. Several farmers stated they hold on to plots out of nostalgia, even though they are not as profitable as the CCN-51 plantations. Still, many of these agroforests are being converted to cacao CCN-51 monoculture plots, as many smallholder farmers begin to adopt the production methods that they see are successful on the haciendas. Transmar has just started to work directly with farmers in this region in 2013. Before 2013, the Naranjal buying station had been nearly exclusively dedicated to purchasing directly from large haciendas and middlemen or to smallholder farmers. The buying agent began to travel to communities in the area and purchase directly from farmers' associations in May, 2013.

The third area, Vinces, has a long trajectory in Ecuadorian cacao production and is renowned for high quality. During the time of the country's independence in the early 1800s through the 1900s, large haciendas near Vinces produced cacao they shipped down the river to the port in Guayaquil. When cacao exporters began asking about the high quality variety cacao they were purchasing, the traders labeled it as "arriba," or upriver from the Vinces region. Today, many chocolates made from Ecuadorian cacao will be labeled as "arriba," referring to cacao Nacional. However, the glory days of Ecuadorian cacao production in Vinces came to an end when the *Monilla* fungus greatly diminished cacao production in the 1940s. Many of the haciendas were converted to large banana plantations, abandoned, or sold to smallholder households that continue to farm these ancient cacao agroforests, some over 150 years old. The remnant farms are very small plots, only five hectares on average.



Photo 5. Monoculture CCN-51 field



Photo 6. Over 100 year old cacao agro-forest near Naranja

In spite of this decline, cacao export companies and chocolate makers continue to encourage farmers to conserve these agroforests because they produce cacao in high demand for exquisite chocolates, particularly in Japanese and other Asian markets. These chocolate makers are willing to pay a large premium for cacao from Vinces. So, Transmar can pay farmers in Vinces a market price much higher than what it pays in its other stations to ensure that has access to this product. Transmar pays a fixed price of 120 US dollars per hundredweight only for the cacao it purchases in Vinces. This price is considerably higher than the market price in the rest of Ecuador, which fluctuates between 80 US dollars to 105 dollars per hundredweight.



Photo 7. A smallholder farmer bringing his cacao to market on a bicycle near Vinces

Transmar has invested heavily in its operation in Vinces with hopes of future profits. If this model succeeds, Transmar would like to replicate in its other buying stations to reach the most marginalized farmers and establish an agricultural training network. Transmar has placed small purchasing centers located in store fronts or even in some people's homes in the small towns surrounding Vinces.⁷ The buying agents also make weekly visits to farmers' association meetings to purchase cacao and hold regular trainings with some of the farmers.

The farms located near the Buena Fe station, our fourth research area, were more recently settled when compared to the farms near the other stations. The area was forested between forty and fifty years ago, when the area began to be settled by colonizers. The early settlers claimed large tracts of land. The farms in this area are much larger than those found in the other study sites. On average, a household near Buena Fe controls 17 hectares of land. Many of the interviews took place in the region referred to as Manga del Cura. This area is not officially located within anyone province though, it is claimed by three: Guayas, Los Rios, and Manabí. Because of its precarious legal status, the farmers do not have title to their land and many lack basic services such as electricity.

⁷ Many farmers often came barefoot and traveled by horse, bicycle, or canoe to sell their cacao to Transmar agents in these local buying points. Children also came to sell a few pounds of cacao before school to pay for school fees or school lunch that day. Transmar has established relationships with local farmers' associations to purchase the cacao from them through electronic funds transfer. The association will pay the farmers directly in cash the day of the sale, so the farmers do not have to travel to the bank to get cash for the payments.



Photo 8. Transmar buying agent purchasing cacao in the Buena Fe study site

The last study area, Quinde, is located in the Esmeraldas province, an area known for its large Afro-Ecuadorian population that has historically been marginalized in Ecuadorian society. The area was first inhabited by former and escaped slaves, who were brought to harvest rubber in the lush tropical forests. Like Buena Fe, the region began to be colonized by landless peasants from other regions of Ecuador in the 1950s and 60s so that it grew in population and become its own county in 1967. However, many of the smallholder producers shared that many of their neighbors have sold out to large palm oil plantations that have deforested much of the region over the last twenty years.

Analysis of Traditional Ecuadorian Cacao Value Chain and Extension Programs

Exploitation of Smallholder Households by Middlemen

Smallholder households and industry representatives revealed that the current value chain has been problematic for smallholder producers as they are poorly treated by middlemen and lack access to extension services. In addition, the traditional cacao value chain has sidelined women from full participation in the marketplace. Both the farmers and Transmar commented on the deceptive practices of the middlemen. They indicated that the middlemen pay the farmers' unfair prices, set low prices through collusive practices, use broken scales, make erroneous price discounts, fail to pay premiums for quality product, use trickery to undermine quality standards, and use deceptive loan practices. These practices jeopardize the entire Ecuadorian cacao industry. Since the middlemen cannot be trusted, Transmar would be unable to guarantee the quality of the cacao for exports and in the end chocolate manufacturers would not have access to high quality cacao needed to make the best chocolates to meet consumers' demands. These challenges to the industry motivated cacao exporters like Transmar to challenge the current value chain.

Many of the farmers that were interviewed as part of this study complained about how middlemen often mistreat them in order to pay the farmers a lower price. The buying agents at Transmar explained how the middlemen colluded to purchase cacao. A Transmar manager in the Buena Fe station pointed out that in many small towns there are only a few middlemen, and they pay the farmers prices that could be as much as twenty percent lower than the national market price. When Transmar started purchasing cacao in the market and offered the Guayaquil export price, overnight the middlemen started paying a slightly higher price than Transmar, attempting to push them out of the market. Another agent in the Naranjal area, who had previously worked for MCCH, described how MCCH started purchasing cacao from farmers' associations near Naranjal. The NGO was driven out of the market because the middlemen began paying prices above the market rate to incur a loss. MCCH could not keep up with the losses and was forced to leave the market. As soon as MCCH left the market in Naranjal, the middlemen dropped the prices they paid the farmers to a price below the export price.

Not only do the middlemen fail to pay the farmers market price for their cacao, they also utilize murky practices to pay the farmers even less. They discount the price of the cacao if it is not sufficiently dried or fermented. Many farmers say that the discounts seem arbitrary. In addition, many middlemen use aging platform scales that are difficult to read and the farmers cannot easily verify the weights. Some farmers believe that middlemen actually record weights that are less than the actual weight, but they have no way to verify if the weights were recorded correctly or incorrectly.

Even if farmers work to raise the highest quality cacao, middlemen do not pay a premium for cacao Nacional or certified cacao, even though the exporter for cacao of this quality pays middlemen higher prices. Farmers are usually paid the same price with the same discounts of those who sell damaged cacao. Thus, there is no incentive for the farmers to sell quality product. Farmers explained that since they are not rewarded for increasing their effort to produce quality cacao, they sell cacao that is not properly fermented and dried and may even contain mold or the *Monillia* fungus, which turns the cacao black, making the cacao unsuitable for chocolate. The farmers claim that, even when they work to sell high quality product, the middlemen mix low and high quality cacao in order to sell more of a product that just meets the minimum standards to the exporters. Transmar officials also explained how they had difficulty with the middlemen, as they provide inconsistent and often low quality product. They may hide diseased cacao in the bottom of the bags. Employees have even found rubber boots and other garbage in the cacao sourced from middlemen.

Another deceptive practice utilized by some middlemen to earn higher profits is offering consumer loans to smallholder households. Farmers in all the regions where we conducted

the interviews commented on these deceptive practices. Smallholder households are particularly desperate for cash when the cacao harvest is low and only have the middlemen to turn to for cash. However, once a farmer becomes indebted to a middleman, s/he is obligated to sell their cacao to them and pay high interest rates for microloans even when another might offer a higher price. These loan practices create even further mistrust among the farmers, who feel that the middlemen's main objective is to cheat them and enhances the dysfunction of the traditional cacao value chain.

Nascent Extension Programs

The current cacao value chain has led to farmers to be paid unfair prices and taken advantage of by the middlemen; these farmers feel that the government does not provide sufficient support to enhance their production either through training programs or providing credit. A middle-aged male farmer near the Buena Fe buying station explained what many farmers feel, "Those of us who live in the countryside are brave. Here [in rural areas] there is not any help for anyone." Another husband and wife near the station in Naranjal said that I was the only person that has ever visited their farm to offer assistance.

Even many of the farmers that had received agricultural training or extension complained about the quality of the programs that were offered. A popular concern was that many agronomists, who had visited their farms, had little practical experience. Farmers have become frustrated when agronomists would not listen to the farmers when the farmers knew a certain action would fail. A group of farmers in a meeting near Naranjal complained about how much of the money that funding agencies provided to government programs was often misspent with little reaching the farmers. Smallholder farmers almost unanimously expressed that a greater problem than the minimal amount of agricultural training they received was the lack of access to credit to invest in production enhancing technology such as irrigation.

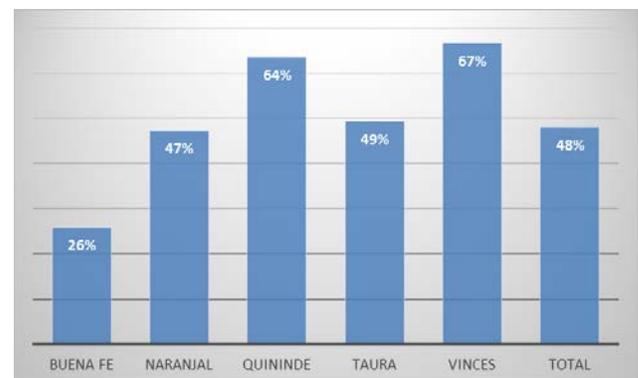


Figure 5. Percentage of Respondents Involved in Extension Programs in Each Sample Area

The survey results testify to the concerns expressed by the smallholder households. Only 48% households that were interviewed had participated in at least one agricultural education program (Figure 5). Furthermore, only 8% of households have had access to microcredit for agricultural production, outside of the consumer loans provided by the middlemen. All of these loans were received from the National Savings Bank (BNF). Many farmers commented on the difficulty of getting loans from the government even though they were the only option for many farmers. Besides the lengthy bureaucratic process, one of the main problems in obtaining one of these loans is having legal title to the land and being properly registered in the Ecuadorian tax system.

Farmers' access to agricultural training programs differs greatly by region. The more remote areas received little training, particularly the difficult to reach farms near the Buena Fe station. An array of organizations provided extension services to the farmers sampled, including governmental agencies, NGOs, universities, and private industry (Table 1). The most important of these include the MAGAP, INIAP, Transmar, MCCH, and input suppliers.⁸

Table 1. Agricultural Extension Services Provided to Smallholder Cacao Households

Institutions	Total (153)	Buena Fe (20)	Naranjal (36)	Quinde (7)	Taura (42)	Vinces (48)
MAGAP	12%	10%	8%	0%	14%	13%
INIAP	6%	5%	8%	0%	5%	4%
MCCH	32%	0%	25%	86%	38%	35%
TRANSMAR/ACDI-VOCA	59%	70%	50%	0%	52%	68%
Input Suppliers	5%	15%	8%	0%	2%	0%
National Bank	1%	0%	0%	0%	0%	2%
Regional Govts.	4%	0%	0%	14%	2%	6%
Universities	1%	5%	0%	0%	0%	0%
Other NGOs	4%	5%	6%	14%	0%	2%
Private	2%	5%	0%	0%	2%	0%

One of the concerns of smallholder farmers is that the extension services offered only provide training in a limited number of areas (Table 2a and 2b). In particular, nearly every

⁸ Since Transmar has hired the agents and is continuing the programs first started by ACDI-VOCA and ANECACAO, the farmers that responded that received programs from any one of the three are grouped in one category.

institution has provided farmers with training in pruning. Pruning is naturally the first agronomic practice taught to farmers as it provides an immediate pay off – production noticeably increases the year after the trees are pruned. 87% of the sampled farmers who received agricultural training were trained in pruning techniques. However, little assistance was provided in areas such as obtaining certification, environmental protection training, and business management skills, which are much more time consuming complicated subjects to teach. Overall, the extension service that has been provided to smallholder cacao farmers in Ecuador are the first steps in encouraging farmers to utilize the most productive and sustainable practices and technologies. The institutions that provide these services must work to build on the trust they established with farmers through their previous work to enhance extension efforts to improve the production and management practices of smallholder cacao farmers.

The type of assistance provided differed by institution. INIAP was more likely to provide soil analysis, grafting training, and planting advice, which would be the institution's strength as an agricultural research center. Interestingly, INIAP also provided farmers with training in environmental stewardship. Input providers offered more assistance on which fertilizers, pesticides, and insecticides to use; farmers usually have to go to the stores to seek advice on which products to utilize. MAGAP has been dedicated to training farmers in how to grow and care for the plants; nearly all of its assistance is for pruning activities.

Table 2a. Type of agricultural extension service provided by institution to smallholder households

Institutions/Type of Training	Planting	Harvest	Pruning	Plant Nutrition	Insect control	Weed control	Disease
MAGAP (18)	6%	0%	100%	19%	0%	19%	19%
INIAP (9)	33%	11%	67%	11%	11%	11%	11%
MCCH (48)	10%	17%	69%	29%	8%	17%	25%
TRANSMAR (88)	18%	11%	81%	16%	6%	14%	26%
Input Suppliers (8)	13%	0%	13%	51%	50%	63%	50%
Total (153)	16%	14%	87%	28%	10%	16%	23%

Due to their position in the cacao value chain, MCCH and Transmar have similar objectives, thus, they offer many of the same extension services. Compared to MCCH, which has been involved in working with smallholder producers for twenty years, Transmar has been able to build a strong presence in providing extension service in a relatively short

five years. Since both are working to export high quality cacao, they have similar concerns about the production of quality of cacao being produced. Their involvement in training farmers in disease control supports these efforts as the presence of *monilla* fungus not only greatly reduces production but leads to cacao that is nearly useless for high quality chocolates. Although both of these organizations have been promoting sustainable production, they have provided little support overall to help farmers become to the long process of assisting farmers become certified.

Table 2b. Type of agricultural extension service provided by institution to smallholder households

Institutions / Type of Training	Post-Harvest	Soil Analysis	Business Training	Certification	Grafting	Environmental Stewardship
MAGAP (18)	0%	6%	0%	0%	11%	5%
INIAP (9)	11%	11%	0%	0%	22%	11%
MCCH (48)	4%	2%	0%	2%	15%	0%
TRANSMAR (88)	5%	2%	0%	1%	14%	2%
Input Suppliers (8)	0%	0%	0%	0%	0%	0%
Total (153)	4%	3%	1%	1%	15%	4%

Women’s Exclusion from the Value Chain

The interviews and survey results reveal that women in particular have been left out of full participation in the cacao value chain. Women are often not included in agricultural production decisions and sidelined from participation in agricultural extension activities. Our results enhance previous results on the woman’s role in rural Ecuador from other studies by including an analysis of household production decisions. We found that, in general, men determine decisions in the household, spending its income as well as dominating production decisions, even when the land is solely owned by women or jointly owned by men and women. In the households surveyed, men manage the income in 36% of the households, women in 18%, and both men and women in 46% of the households. Thus, women have a say in household spending decisions in 64% of the households interviewed. Women have ownership rights in 44% of the land parcels because 56% of parcels are owned by men, 17% by women, and 27% are owned jointly. Yet, some women are excluded from managing the parcels they own. Men manage 70% of the parcels, women manage 8%, and 22% is managed by both genders. Women only have a say in 30% of land use decisions, which is much less than their ownership rights. Thus, strong land titling laws in Ecuador do not necessarily mean that women do not have de facto ownership of this land.

This inequality in land use decisions naturally translates into the lack of women’s participation in agricultural extension activities. Not a single institution involved in extension work in the study sites has been able to overcome this gender gap. They have not even been able to reach all the women who are involved in management of agricultural lands, as only 17% of extension participants were women (Figure 6). Transmar has reached even less women: only 10% of farmers that it trained were women (Figure 7). However, comparisons between institutions that provide extension service cannot be made on a one-on-one basis, as Transmar is more active in areas like Vinces and Buena Fe, where women in general are excluded from participation in the agricultural sector either for cultural reasons or economic reasons. A farmer in his 70s near Vinces laughed when he was asked whether women worked on his farm. He explained that in that region in particular women are excluded from the farm. In Naranjal, women take a more important role in agricultural production because many of the men have migrated.

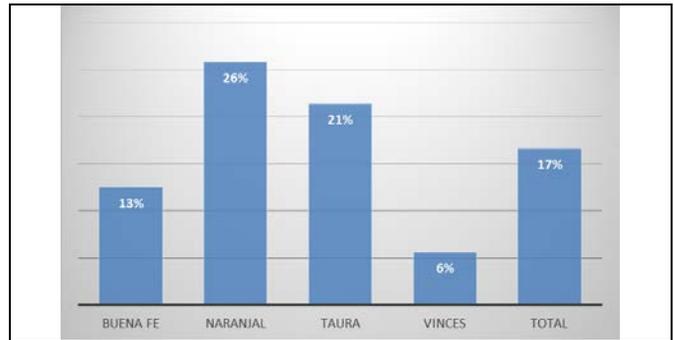


Figure 6. Percentage of agricultural training participants who are women by sampling area

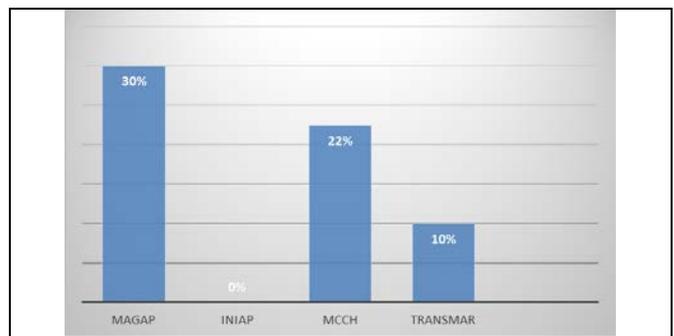


Figure 7. Percentage of agricultural training participants who are women by institution

Transmar’s Paradigm Shift: Stage Two

Continuing Challenges in the Cacao Value Chain

Transmar realizes that the changes it has made are only first steps in transforming the cacao value chain. The company would like to continue in this transformation to create an

environment that is profitable for them and smallholder producers. However, it needs to confront the continued challenges of limited extension services, inability to access credit, and women's exclusion from production decisions and extension programs. In addition to addressing these challenges, Transmar could further develop the programs that not only enhance production but also improve the wellbeing of rural communities. Transmar plans to create a special market for the cacao produced by these smallholder farmers. The idea is to establish a trademark for its environmental sustainability and social justice.

Overcoming these Challenges

To achieve these goals, Transmar has already created the Dream Foundation, which will support Transmar's outreach activities in each of the countries where the company is present, in Latin America, Asia, and Africa. Ecuador is the country where the efforts are being first developed. Through the foundation, Transmar hopes to strengthen its partnership with other private companies such as financial institutions, input suppliers, and chocolate makers as well as aid agencies and NGOs to support smallholder producers. The main outgrowth of the foundation is the proposed Producer-Plus-Program, which will be funded by selling the cacao in the program at a premium to chocolate manufacturers.

The Producer-Plus-Program⁹ establishes three levels whereby farmers can participate from the basic subsistence farmer to the most advanced production system. At each level, the farmer receives different amounts of support in agro-ecological training, credit assistance, and community development from Transmar and its extension partners. The more impoverished communities will receive more emphasis on community development. The support will include funding to enhance community infrastructure such as providing health clinics or clean drinking water or schools or other needs as determined by the community or farmers' associations. The farmers from more developed communities that have adopted Transmar's practices will be placed at a higher level in the Producer-Plus-Program and receive more technical training and credit assistance to purchase more advanced technologies or other inputs.

The percentage of the premiums that will be paid directly to the farmer will change as she meets the goals set out by the program. Transmar has developed its own cacao handbook

that provides farmers with instructions on how to care for cacao from planting to post harvest. For a farmer to move up a level in the Producer-Plus-Program and receive a larger premium, she would have to meet certain standards by implementing best production practices as spelled out in the cacao handbook and following environmental stewardship procedures, such as the proper handling and use of agrochemicals and disposal of garbage.

Farmers as Businesspeople

Transmar has also realized that its efforts to challenge the traditional value chain have created difficulties for the farmers with the creation of its electronic payment system. For the company to fully integrate the smallholder farmers into its marketing network, it must teach the farmers basic business skills and help them gain access to bank accounts and other financial services. Helping farmers participate in the formal economy is in Transmar's own self-interest, as the company is required to meet Ecuadorian tax laws that a smallholder farmers or middlemen have largely ignored by participating in the informal economy. Thus, Transmar has made a farmer's business and farm management skills an integral part to determining their placement within the Producer-Plus-Program and the type of trainings that will be targeted to them. Transmar is encouraging farmers to obtain bank accounts, have tax ID numbers, and keep basic financial records. These efforts create an opportunity for cooperation between Transmar and the Ecuadorian state, with regard to tax revenue, and between the Ecuadorian financial and banking sector, in searching for new clients.

Following this aspect of the Producer-Plus-Program, Transmar will provide farmers with access to affordable credit so that they can purchase all necessary inputs, from plants and agrochemicals to advanced irrigation systems. Thus, Transmar is striving to develop partnerships with Ecuadorian private and government banking services¹⁰ and agro-input suppliers to offer farmers loans to purchase agrochemicals, irrigation equipment, or hand tools. Rather than receiving a cash loan, the farmer will receive the agricultural inputs and will be required to pay the amount that the equipment is worth, which could be deducted from payments for the sale of their cacao. This strategy allows Transmar and other exporters to compete with middlemen in the cacao market who provide farmers with operating capital for each season. Through the Producer-Plus-Program,

⁹ For farmers to participate in the Producer-Plus-Program, they will first have to be registered with Transmar. The buying agents are working to register each farmer that sells to Transmar. The registration includes a history of the farmers' production and GPS coordinates of the farms to enhance their ability to reach all the households with their sales and service plans. Furthermore, the agents are organizing the farmers into associations to facilitate training activities, foment community collaboration enhance peer-to-peer knowledge exchange, and.

¹⁰ Transmar has been working to develop partnerships with private banks including the Banco de Pichincha and the Banco de Guayaquil. In addition, they are working with BNF to offer loans to the farmers. Transmar hopes to provide the farmers with options on where they can receive loans and from whom they can purchase the inputs. The BNF offers loans with very low interest rates around 5% but require so much paperwork that the loans are very difficult to obtain while the private banks require less paperwork for the loans but charge very high annual interest rates of around 22%.

Transmar will be able to fully compete with the middlemen but also be able to further strength farmers' loyalty with the company. Besides the altruistic motivations that encourage Transmar to undertake these acts of social responsibility, these activities make good business sense for competing with the middlemen and other export companies.

Challenges Facing the Producer-Plus-Program

The Inclusion of the Most Marginalized

Transmar faces several challenges in continuing the transformation of the cacao value chain through the Producer-Plus-Program. Transmar has to ensure the inclusion of the most marginalized members of the smallholder households, including women and minority ethnic groups, and continue to develop partnerships with other actors in the cacao value chain that are striving to make similar improvements. Women's empowerment must be the main goal of any effort to transform the cacao value chain. Not only is gender equity an ethical issue, Transmar must promote the social justice qualities of its program in order to meet consumer demands, especially in high-end markets (Bechetti and Rosati 2007). To achieve this aim, Transmar will have to make a conscious effort to invite women to participate in its programs and determine what barriers prevent them from participating in extension programs such time or travel or cultural constraints.

Creating Collaboration between the Different Institutions

Because of the economic, ecological, and social importance of the Ecuadorian cacao sector, many institutions have been active in this paradigm shift in cacao value chain. However, each of these organizations has its own set of objectives that may conflict with those of another organization. Transmar may find that its goals are in direct competition with other institutions. As the Ecuadorian cacao market becomes more competitive, the ability of export companies like Transmar to cooperate with others, offering extension services to support smallholder households, may become more challenging.

Transmar in particular will have to work with the Ecuadorian government. MAGP and INIAP are once again becoming more involved in extension activities now that the Ecuadorian government has begun to invest in extension educators. The new government program is referred to as the Agricultural Education Revolution (ERA). The ERA educators have established farmer schools to train farmers in production methods of a diverse array of crops. Although these efforts complement those of Transmar and other organizations to enhance farmer productivity, the Ecuadorian government's long-term objectives may compete with export companies like Transmar. The Ecuadorian government has a different view about how the cacao value chain should be structured (Figure 8). ERA representatives informed us that the national and provincial governments have been working to create mega cooperatives where farmers can supply cacao to Ecuadorian chocolate makers, cutting out exporters like

Transmar. The objective of this new market chain would be for Ecuador to export value-added products instead of just primary products like cacao. Due to these very different conceptualizations of the future of the Ecuadorian cacao value chain, the question remains as to how these various institutions, export companies such as Transmar, the Ecuadorian government, environmental and conservation NGOs, and aid agencies, can still collaborate to achieve common goals, which include providing needed agricultural training.

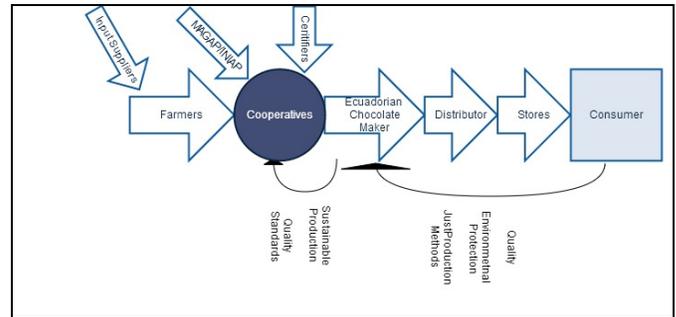


Figure 8. The Ecuadorian Government's Conceptualization of the Cacao Value Chain

Summary

The traditional Ecuadorian cacao value chain that has lasted for well over a century is dramatically changing, which has important implications for the livelihoods of smallholder farmers, environmental protection, women's empowerment, and the role that each actor plays in the value chain. The first major change came in how extension services have been provided post-Ecuadorian debt crisis, as the Ecuadorian government was forced to scale back its extension programs. Now, NGOs and private industry actors are just as involved in training farmers as the Ecuadorian government. Another impetus for this change has come from consumers, as they demand that the chocolate they consume is of the highest quality and is produced using sustainable and socially responsible methods. One of Ecuador's leading cacao exporting companies, Transmar Ecuador, is taking advantage of this changing environment to create a new paradigm in the cacao value chain. Transmar is working to purchase cacao directly from the farmers and provide them with extension services to enhance their production.

These changes have only made preliminary steps in transforming the cacao value chain to meet the ambitious demands of the chocolate consumers. In particular, women still do not fully participate in the cacao value chain. Even though the Ecuadorian government has strengthened women's ownership rights, they do not have decision-making authority over the land they do own. Women have had particularly low participation levels in extension programs. Furthermore, many farmers lack the business skills to be successful managers of their farms and limited assistance has

been provided in helping farmers become certified as sustainable producers.

To meet these continuing challenges in providing a sustainably produced and socially responsible product, Transmar has established the Producer-Plus-Program to bolster its investment in agricultural training programs and development projects in the communities where it purchases cacao. However, Transmar will need to develop a strategy to collaborate with the Ecuadorian government, NGOs, and other exporters, who all have different views of how the Ecuadorian value chain should be structured and are trying to capture a greater share of the value being created in it.

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