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Summary

This paper analyses the impact of the cultural values and idiosyncrasy on the success and subsequent failure of farming contract experiences in Chincha Valley in Peru. Moreover, this study considers the importance of the facilitator's role in order to manage the relationship between the company's and the small-farmer's interests in this farming contract experience.

In 2000, I worked on a MBA thesis as part of a Peruvian-student group from ESAN University, in Lima, and we discovered a successfully original model of contract farming in Chincha Valley (200 Km south of Lima) and decided to apply this model to Nazca Valley (460 Km south of Lima) as an academic thesis project. We started the research over the Chincha experience and its applicability to Nazca Valley.

We identified the small-farmers' idiosyncrasy and cultural identity as a “critical factor” to the success of the Chincha model and decided to explore further in relation to this topic with the small-farmers from Nazca. We found the role of the “facilitator” as fundamental in the model. The facilitator is the person who linked the farmer’s expectations and the company's interest. He has special characteristics and skills in order to manage communication between the two parts in the model.

The principal difficulty in the agricultural sector in Peru is the “Minifundios” (small properties as a result of the failed agrarian reform) and the small-farmers’ impossibility to access to financing capital and technology in order to make their lands productive. The new model of farming contract, created by the Peruvian company “Critecnia” and applied to Chincha Valley, offered successful options for the small-farmer's development in Peru. This model was created on the basis of the farmers' company with the support of the professional company (the farmers' company’s general manager) in order to manage from the production process to the commercialization one.

The model was developed into the context of the Peruvian background where small-farmers did not have access to private financing resources due to their lack of formal knowledge and the difficulties relating to the small land dimension.

In the complexity of the model the “human factors” -especially the farmers' idiosyncrasy and cultural identity- were “critical factors”. The way of transmitting the benefits and risks of the model, managing communication, ensuring farmers' fulfillment, and managing farmers' expectations was to identify them as a fundamental step. To do this work, Critecnia recruited a professional (sociologist) –an indigenous person- who was born in the same Chincha area.

We conducted surveys to farmers from Nazca where we planned to apply the Chincha model for our thesis. We also interviewed the main participants concerning the success of the Chincha model, the owner company, the facilitator and the influential people in Nazca in order to cover all fields of the successful model. The result of the academic thesis was a successful description and analysis of the model ready to be applied to Nazca.

The model failed four years after being applied to Chincha Valley, and after interviewing the owner company and the agricultural sector's specialist in Peru, it was concluded that there were many reasons for its failure, but the main one -from their point of view- was the farmers' cultural identity and “idiosyncrasy”. The farmers’ behavior was to give up their obligations and wait for the government's support.
I. Brief outline of the agriculture in Peru

“Contract farming should be viewed as a cultural and historical phenomenon rather than as an imposed legal category of relationships as these contexts determine the response of the farmers to the new arrangement” (Asano, 1988: page 434)

Coffey states, both geographically and economically, Peru is divided into three major regions-the Coast, the High-lands, and the Jungle. The Coastal region has the major urban-industrial centers and a productive agriculture sector based largely on cotton and sugarcane production in the fertile, irrigated valleys. The tropical Jungle region comprises 60 percent out of the national territory, and it is separated from the Coastal region by the Highlands. The Highland region is a densely populated, low-income, agricultural region based upon subsistence farming on cereal and tuber production at the lowest altitudes and livestock production on high plains and mountain slopes (Coffey, 1967: page 450).

The Coast and the Highlands are the most important regions in order to analyze the agricultural sector in Peru due to their influence on the national economy and the high number of people living in these regions. The Jungle has the potential for future development, but today it is isolated by its geographical position, and low rate of investment oriented to this area, abundant in natural resources.

Peruvian history has been closely related to agriculture since the early Pre-Inca cultures and it was highly-developed in the Incas’ era on the basis of a social and economic system. The Spaniard colony created new conditions in the agrarian composition in Peru, and conflicts and contradictions were generated as a consequence of the economic and social changes that took place in the succeeding years.

Juan Velazco Alvarado’s military government planned and implemented a land reform in Peru in a process ranged from 1969 to 1979 in order to create massive land redistribution and property expropriation from land owners. This land reform failed because of different reasons, and, in his paper, Kay explains the importance of the pre-existing agrarian system in the reform failure.

In his analysis of the Peruvian agrarian reform, Kay stated a “number of contradictions, some of which can be related to the pre-existing pattern of economic and social production patterns” (Kay, 1998: page 141). Kay underlines the importance of the “pre-existing pattern” in the society analysis, which is fundamental in Peru’s case. These patterns are the base of the cultural identity in the case of the Peruvian farmers and it is the effect of the original Pre-Inca, Inca, Spaniard and contemporary influences.

“Three main agrarian systems can be identified in Peru – plantations in the Coast, haciendas (large-landed estates) and peasant communities in the Highlands”(Kay, 1998: page 142). Kay (1998) stated the differences among these agrarian systems and their influence on the complex agrarian Peruvian system. The “plantations” in the Coast were large-scaled and highly-productive agriculture models based on the export marked by sugar and cotton production. This system utilized national and international capital and it was promoted by entrepreneurs.

The plantations utilized the “colonato”, tenant farmers who received small fields and worked on the owner’s field, and the “yanaconaje”. The tenant farmer and the yanaconaje system paid a rent for the land, but the tenant farmer additionally worked on the owner’s field, making a difference from the yanaconaje system.

In the Highlands or Sierra, the “haciendas” (estates) were based on a low-productive model where the owner was often absent. The estate used the “huachileros” (sheep-tenants). They were independent workers who competed for the pastureland with the landlords so that the landowners tried to transform the huachileros into shepherds paid only by wages.

In addition to the haciendas, in the Highlands existed the “peasant communities” that were associations of indigenous members who shared social, political, cultural and religious bonds. The membership conferred these people certain rights and obligations and they designated their own authorities. The authorities determined the proportion of the land to be collectively labored and distributed individual plots to usufructuary members.

The conflict between the hacienda and the community was permanent and often broke out land invasions by “comuneros” (commoners, poor farmers without land property) demanding the
restitution of their lands. The loss of community land to the hacienda forced some members to become labored-service tenants on the estates or to rent pasturelands from the hacienda.

At the end of the land reform the evaluation was: 15,826 farms (10.5 million hectares) had been expropriated, only 7.8 million hectares had been adjudicated, though, favoring 337,662 families. Thus, about 40% out of the nation’s land had been adjudicated to 35% of agrarian families.

The Peruvian land reform pushed the cooperative system. The government created the “National Support System for Social Mobilization” and the “Agrarian Production Cooperatives” and “Agricultural Societies of Social Interest”.

The “Agrarian Production Cooperatives” were planned as an indivisible production unit in which ownership and usufruct of all productive assets were collective. In theory, no individual production was permissible. The members, all of whom worked at the collective enterprise, participated in the Agrarian Production Cooperatives’ management through democratically elected individuals.

Kay states that the land reform failure was due to different reasons: the differences between white-collar and blue-collar members in the cooperatives, success of some cooperatives (e.g., the sugar’s) that made substantial profits and failure of others, especially in the Highlands (financial difficulties), individualist tendencies among members, the main aim was to maximize individual disposable income in the form of wages and other benefits (phenomenon that produced the erosion of the cooperative character), the small land dimension difficulty, especially in the Highlands, absence of management skills to manage the new social organizations, and lack of technology support and investment of private capital (Kay, 1998: page 154).

In the period ranged from 1990 to 2000, Peru experienced profound changes in the economic system. The market was open to international competition and private investment. Peru applied new investment and promotion laws to the agricultural sector, and the 1969-land-reform law was formally derogated.

The new legislation established that property over land could be exercised by a person or corporation without any other limitation but being a titleholder. Peru experienced development on the agricultural activity in the coast by means of the agro-export boom (citrus, asparagus, among others), and companies' investment. The small-farmers sold their land and few of them tried to maintain the land property with poor economic results and only for subsistence activities.

The Peruvian statistic information proved an increment of the agricultural exports in the year 2000 (US$ 680 millions), and increased by 132% in comparison with the 1990’s volume. The Peruvian agriculture in the Highlands is still an undeveloped sector and the gap between farmers from the coast and those of the Highlands has risen in the last few years.

It is important to point out that the social composition of Peru’s population is a mix of different ethnic and cultural inheritance of the ancestral Incas’ culture, the Spaniard colonization, and the subsequent migrations of people around the world. Peru’s social composition is diverse and reflects different culture patterns and as Kikuchi states in his analysis of the Philippine case (1996), that of Peru is a case of a multi-ethnic nation where the religious and spiritual beliefs and the complexity of its social factors generate many conflicts that deal with the impossibility of shaping national identity.

“Mestizos” (mixed-race), ancestry mixed between European (mainly Spanish people) and Indian as well as African descendants, in some cases, as to constitute about 45% of the population, and most of them living in the Coast; “Indians”, Incas’ descendants as to constitute about 35% of the population, and most of them living in the Sierra (Highlands); Creoles, European descendants (Spanish, German, Italian, French, etc) who were born in Peruvian territory as to constitute about 17% of the population, and most of them living in the Coast; and finally, “Zambos”, Indians mixed with Africans; Mulattos, African with European; Swarthy people, African descendants; Asian descendants (Japanese and Chinese); and “Jungle Indians” as to constitute as a whole about the 3% of the population (http://www.virtualperu.net/peru_phys_geo.html).

II. Nazca Valley and the application of the Chincha Model as a Thesis Project
ESAN University at Lima, Peru, has a full-time MBA program and one of the requirements in order to get such academic degree is to finish a group thesis. My group finished the thesis in April, 2000. The main goal of the thesis was to propose an Agri-Entrepreneurial management model for agriculture to be a profitable and sustainable activity throughout the time, by means of organizing Nazca Province’s small-scale farmers under the guidance of an efficient management. As specific goals, we aimed at working out a way to transfer knowledge and technology to the small-scale farmers, identifying critical factors for the implementation of proposals, and proposing a mechanism that stimulates the profitability of the agricultural activity in order to attract investments to the sector. In that sense, we decided to apply to Nazca Valley the successful model of Chincha Valley at that time, and focused on analyzing the possibility of developing a model for Nazca’s small-farmers.

In the process of the research, we identified the human factor, i.e. the farmers’ idiosyncrasy and cultural values as a “critical factor” for the success of the Chincha model and decided to use academic tools (qualitative and quantitative analysis) in order to analyze the case of Nazca’s farmers. This paper is written on the basis of this part of the thesis and complemented as well with an interview with the author of the Chincha model and Critecnia Company’s general manager in 2007, after the model failed in Chincha Valley.

This paper is elaborated on my experience in the research as part of the thesis group at ESAN University in 2000 as well as the complementary analysis made in 2007 on the basis of the above-mentioned interview and it was made for its presentation at the Anthropologic Conference held at Waseda University in January 2007.

III. Critecnia and the experience of contract farming in Chincha Valley

One experience of contract farming was developed with small-farmers in the coast in order to use the sector’s potentiality and apply a creative farming contract model. Critecnia Company, from Peruvian entrepreneurs, developed a successful system based on the alliance with small-farmers in Chincha Valley in order to export cotton.

Chincha Valley is located in Chincha province, Ica region, 200 Km south of Lima City, in Peru. Its territory comprises 2,987 Km² and has a population of 176,732 inhabitants. The name Chincha comes from the indigenous word “chanchay” and its meaning is “Jaguar”. The early indigenous people that lived in this area before the Incas were the Chinchas. Critecnia’s managers chose Chincha for being located near Lima (the Peruvian capital city) and its highly traditional potentiality for cotton growth.

IV. Definition of contract farming and the Critecnia model

Contract farming can be defined as a;

“System for the production and supply of agricultural and horticultural produce by farmers/primary producers under advance contracts, the essence of such arrangements being a commitment to provide an agricultural commodity of a type, at a specific time, price, and in specified quantity to a known buyer. In fact, contract farming can be described as a halfway house between independent farm production and corporate/captive farming and can be a step case towards completely vertical integration or disintegration depending on the given context. It basically involves four facts – pre-agreed price, quality, quantity or acreage (minimum/maximum), and time. From a developmental-intervention point of view, it is a situation in which the relationship between the agribusiness firm and the farmers takes on an expert endowing the apprentice with resources, knowledge and skills. Or alternatively, it is further a case of bringing the market to the farmers, which is navigated by agribusiness firms” (Christensen, 1992: page 24).

Another definition explicates it in the form of;

“Forward integration, that can occur where a group of farmers own or control a marketplace; or backward integration occurs where large processing and marketing firms either gain farms or become directly involved in supporting and controlling production through contracts. The latter type of arrangement is called “contract farming” and usually
involves a large agribusiness firm integrated backwards by forming alliances with groups of smallholders and, through written or verbal contracts, providing farm inputs such as credit and extension in return for guaranteed delivery of specified quality produce often at a pre-specified price. Such contracting arrangement may also involve horizontal integration into where firms not only provide direct inputs into farm-level decision making but also encourage integration of various activities across a population of smallholders through farm groups. These groups may coordinate planting and harvest as well as facilitate or manage storage and transport arrangements (Phil Simmons, 2002: page 3).

These two definitions of contract farming included the principal elements of farming contract, but the model used by the Peruvian company Critecnia has special and interesting characteristics applied to the Peruvian context and followed previous experiences, focused on the Peruvian small-farmer’s idiosyncrasy and the difficulties to access financing resources.

The model proposed the creation of a company of which principal activity is “to offer integral management services for the agrarian sector”. This company selected a group of small-farmers in order to create a company (integrated only by farmers). The “farmers’ company” signed contracts with the “service company” to be able to get management services.

The “farmers’ company” used production and commercialization contracts in order to create relationships with the farmers themselves (which were the same people acting as owners of the farmers’ company) as a natural person aimed at cultivating Agricultural products with special characteristics previously specified by the “farmers’ company”. This company provides the supplies and technical assistance.

The “service company” signed contracts with the “farmers’ company” in order to become the “manager” (as a company, it is possible under the Peruvian law) of the “farmers’ company”. The functions of the “service company” were: to look for financing resources -and utilized the farmers’ land (owners of the farmers’ company) as a loan guarantee and the likely future harvest, the management of all activities in the agricultural production process and the commercialization of the production. The “service company” got a fixed amount of money and a percentage of the produced extra income as payment for its successful management.

V. Research Methodology

The methodology used in the research for the MBA thesis included field work based on quantitative and qualitative resources. The field work applied in Nazca Valley was focused on the small-farmers and was conducted in the period ranged from January to March 2000. The qualitative part of the field work also included interviews with the principal stakeholders of the Chinchas model.

We carried out a survey in order to obtain relevant information from the small-farmers in Nazca Valley and decided to apply it to a sample of 117 small-farmers organized as part of four farmer communities in Nazca: Ingenio (28 farmers), Las Trancas (31 farmers), Nazca (31 farmers) and Taruga (27 farmers). The information collected was useful in order to grasp the small-farmers’ situation in Nazca, the number of units, size, property, financing, principal growths and so forth. However, in this case the qualitative research was more important in order to analyze the small-farmers’ cultural values and idiosyncrasy in Nazca, the part of the research concerning this paper.

We used interviews and focus groups in order to be aware of the farmers’ perception and figured out the farmers’ idiosyncrasy in Chinchas Valley on the basis of the principal stakeholders’ experience as well as through direct contact with the small-farmers in Nazca Valley. We interviewed the principal participants in the model: the Critecenia Company’s owner, the facilitator in the Chinchas model case, small-farmers in Nazca Valley, the farmers’ authorities and leaders in Nazca, professionals in the area’s agricultural sector and government authorities.

The focus groups were applied to small-farmers from the four above-mentioned farmer communities and developed in small groups of people: Ingenio (two focus groups and the attendance of 12 to 16 farmers), Las Trancas (two focus groups and the attendance of 7 farmers to 24 farmers), Nazca (two focus groups and the attendance of 7 to 24 farmers) and Taruga (two focus groups and the attendance of 10 to 17 farmers). The focus groups were conducted with
The participant’s direct observation - in order to grasp better the people’s behavior and their life conditions - was another tool used in the research. We visited the farmer’s community during three months and shared their daily life with the small-farmers in order to understand cultural values and idiosyncrasy of theirs by working with them and we collected important complementary information for the focus groups and interviews. In 2007, I had a meeting with the Critecnia’s owner in order to explicate him my idea of developing a complementary research on the successful model, but he detailed me how it failed and the reasons why that had happened.

VI. The human factor and the farmer’s idiosyncrasy

Lacki described the Peruvian farmer’s idiosyncrasy as a;

“Little inclined to change, lack of self-esteem, and lack of feeling to improve oneself, mentality of underdevelopment, dependency and fatalism. They are passively waiting for the government’s support and it is impossible to believe in their own willpower as to be able to solve their difficulties” (Polan Lacki, 1995: pages 148).

Lacki (1995) tries to explain how the Peruvian farmer’s idiosyncrasy is one of the principal reasons why they were not able to succeed and manage their own development. In this sense, we realized that many projects had already failed when we had interviews with relevant people involved in those projects in Chincha as well as with people experienced in agricultural projects with small-farmers in Nazca. We found that small-farmers did not trust the new models at that time and these sometimes started successfully but failed after a short time because the small-farmers decided to give up their obligations and return to the original position where the government could support them without any duty of theirs.

On the basis of the qualitative research that we applied to the small-farmers in Nazca Valley (focus groups, interviews and direct observation) and with Critecnia Company’s main stakeholders as well, the human factor and the farmer’s idiosyncrasy were identified as critical factors for the success of the Chincha model. In the interviews with the owner-author of the model, the facilitator of the model in Chincha and academicians from Peru’s Agriculture Ministry, they agreed on the importance of these factors in the success of the model. Making them change their mentality and incorporating the smalls-farmers’ own ideas and experiences as part of the project were the main goals for Critecnia’s staff in order to maintain the sustainability and try to change agriculture from a surviving activity into a business one.

In this sense, several focus groups were applied to the small-farmers in Nazca in order to be aware of the common elements of the farmer’s idiosyncrasy and the cultural values that we can take into consideration for applying the Chincha model to the new environment. In order to complement the information collected by the focus group, we interviewed important stakeholders in Nazca such as farming community leaders, water management association leaders, local agriculture authorities and agricultural academicians with relevant experience in Nazca.

The description of the Peruvian farmer - by Lacki (1995) - created an image of a subsistence farmer, whose priority is to work the land in order to access to daily food, but they have no knowledge of profitability and competitiveness as a development element. The focus groups’ results confirmed the characteristics stated by Lacki, but, in some cases, we could find farmers who wanted to change their choices and were open-minded about accepting new proposals in order to improve their economic situation. The analysis demonstrated profound problems concerning poor level of knowledge as result of the lack of formal education and access to technical information for agrarian productivity.

It is important to identify two different sizes in the group of “small-farmers” in Nazca, medium-sized farmers, who were more skillfully trained (some of them professionals), and micro-sized farmers, who were more indigenous and poor farmers. The first group was more individualistic and conjectured a defensive position. This group was very inquisitive about the model. In the second group, most of the farmers were quieter and only limited their behavior to hearing the proposal of the new model.
The micro-sized farmers, who showed poor conditions, said that they were waiting for the government in order to improve their situation. We found lack of leadership and initiatives and very poor level of education. Most of them had not finished primary school.

The government’s role was insufficient and it mistook their political decisions for a long time. The extreme protection and subsidies, including debt forgiveness, contributed to create a “non-fulfillment culture” among the farmers. The farmers’ behavior to maintain debts force financial institutions to resolve to reject loans for small-farmers.

We could observe a frustration feeling and an isolation pattern among the farmers. And, as a consequence of the failure of many previous models, the farmers were suspicious of people who were interested in offering solutions for their situation. Farmers sometimes prefer to maintain their small land nonproductive and they decline new proposals because they scare about the possibility of losing their property. Land itself is a guarantee, even without productivity. The mentality is about survival. Octavio Chirinos, advisor of Peru’s Ministry of Agriculture, pointed out in an interview, “the principal difficulty with this type of model is the farmer, in order to convince the farmer, you need to know his way of thinking, his idiosyncrasy and it is important to offer him something attractive”.

Goodell referred to the importance of the cultural and historical contexts;

“I will show that the way farmers perceive contract farming, i.e. defining, negotiating and accepting contracts and contractual relationships with food industries, differs in each cultural context, and that such perceptions can only be understood as a reference to the economic, political, and cultural forces to which they are inexorably linked. In other words, the norms, skills and rules for contractual interaction are created and nurtured by people in a specific cultural and historical context” (Goodell, 1980: page 285).

Taussig stated the link between the cultural context and the farmers’ production relationships, which was complex in the Peruvian case;

Obviously, such norms, skills, and rules have not only been constituted within the narrow contexts of industry-farmer relationships: they must have been constituted in the largest context of change and increasingly complex farmers’ production relationships. Such norms, skills, and rules also emerged over a long time and were perhaps built upon antecedent norms, skills, and rules of relationship for agricultural production” (Taussig, 1980: page 275).

Asano underlines the farming contract as a cultural and historical phenomenon;

“The present study is therefore not only anthropological, as I try to view local farmers’ perceptions of their production relationships in the context of their everyday life, but also historical because I will deal with such perceptions for over a century, from the mid-nineteenth century to the present. Thus, I will argue that contract farming should be viewed as a cultural and historical phenomenon rather than as an imposed legal category of universal human relationships, and that it should be viewed from the participants’ perspective, in this case, that of farmers” (Asano, 1988: page 434).

Asano introduces the contract farming as a cultural and historical phenomenon rather than as an imposed legal category, and based on this assumption, the model must try to find the elements derived from historical evolution and specific contexts in order to convince the farmers of the benefits of the new model.

We realized that the process of applying the Chincha model to Nazca involves considering the Peruvian small-farmers’ idiosyncrasy and cultural values in general as well as their own specific conditions and experiences (from their own locality) in order to know not only the farmers’ way of thinking but also the development of a strategy aimed at changing their mentality through education and an explanation of the benefits of the model and their obligations as an active part of the project. The other components of the model were complementary to this “human” part and followed the construction of the management company - small-farmer relationship.

VII. The facilitator as a key for the management of relationships with the farmers

In our research in Chincha model, we found that the facilitator’s role was decisive in the model application during the first four years. It was necessary to start contacting and managing
the relationships with the small-farmers in order to apply the model. The consideration of critical variables in the relationships with the small-farmers was undertaken by Critecnia through the designation of a “facilitator”, who was selected from the farmers’ same area.

When the small farmers’ idiosyncrasy was identified as a critical element for the success of the model in Chincha, Critecnia decided to look for a person who was able to manage the relationships between the company and the small farmers. The importance of the designation of this person was found as crucial in the research and his election followed special guidelines: high level of knowledge that permits him to understand the model in the specifics (academic studies and relevant practical experience), high credibility among the farmers, belief in the benefits of the model and advance skills of communication and leadership.

In the case of Chincha model, Critecnia decided to work with an experienced professional in psychology, from Chincha (the application area of the model) and living in the area. This person really knew most of the farmers involved in the project and had a good reputation among them because of his academic studies and leadership.

The facilitator managed the relationships with the farmers from the beginning, explicated the benefits and obligations of the model and was in charge of the communication between the company and the farmers. The role included to train the farmers in the basic principles of the business model in order to understand how it works, welcome the farmers’ complaints, solve their requirements and open a channel of communications between the company’s directors and the farmers. In this sense, an important part of the success of the model was attributed to the facilitator’s efficient work.

In their paper about the African case, Porter and Phillips-Howard stated:

“The appointment of field officers indigenous to the region as farm advisers facilitated communication between contracting farmers and the company. There was the recognition on both sides of the strengths and weaknesses of the other and the benefits of successful cooperation” (Gina Porter and Kevin Phillips-Howard, 1997: page 230).

Porter and Phillips-Howard described the creation of teamwork in an African project and underlined the indigenous manager’s role as fundamental in the success of the project; “At the North Pondoland sugar scheme in Transkei an on-site management comprised four men – an English administrative officer, two white South African agronomist and workshop managers, and, crucially, a Xhosa liaison manager. This latter appointment was critical to the success of the project. The man concerned was an indigene of the region and knew some of the scheme farmers when he joined the company in 1985. While the other three managers lived close to the company office in a special compound on the nucleus estate, he lived at the edge of the scheme where his wife ran a small business which served the local community. In 1994, he knew every one of the 130 out-growers on the state and was able to successfully negotiate between farmers and companies in despite of the volatility of this region throughout the pre and early post-election period. He is clearly well-linked and respected by the small-growers and remains in close touch with their affairs. He organizes extension services, attends formal farmers’ association meetings, takes farmers to courses organized by the Sugar Association and is present at the mill when sugar is harvested in order to organize the farmers’ payment. Mill’s statements have been a contentious issue on cane schemes in Natal” (Vaughan, 1992: page 430).

“This liaison officer has been particularly effective in explaining statements (regarding sucrose content, that is the basis on which payment is made) to growers so that they know they have not been cheated by the company. He is also involved in settling disputes which sometimes arise between absentee male landowners – many of whom are migrant workers – and their wives, who undertake most or all of the work on the farms, and prepared to support women whose husbands persistently cheat them at their cane check” (Gina Porter and Kevin Phillips-Howard, 1997: page 230).

“Poor and ineffective communication between growers and companies are discussed in rare detail in an unpublished dissertation by Sokhela (1983) concerning Pezkwon Khono Development Company in KwaZulu. In this case, growers were faced with a company policy which was never explained, with company extension officers unknown to nearly half of the 50 survey respondents (which comprised a 12% sample of growers) and extension officers who did not themselves fully understand the financial statements issued
to growers by the company. Consequently, the majority of respondents felt, they had been cheated by the mill and were suspicious of all company activity” (Gina Porter and Kevin Phillips-Howard, 1997: page 230).

When the staff and the facilitator failed in their role, it resulted in the circumstances Glover and Kusterer described in their paper:

David Glover and Kuster (1997) state the highly visible presence of such a large ASAGRO field staff was described by several farmers as a hindrance, not a help. Among themselves, and in the monthly meetings of their Asparagus Growers’ Association, they describe ASAGRO’s technicians as an army of parasites living off the farmers’ asparagus production. When these farmers are asked about the company’s technical assistance, they answer in no terms of their recollection of advice taken but in terms of their general attitudes toward the company, whether it is helping them or harming them, and their general level of satisfaction or dissatisfaction with the project. An important factor is the confidence between the farmers and the facilitator in order to converse about the benefits of the model and the farmers’ and company’s expectations simultaneously.

The research for applying the model in Nazca provided information about the facilitator’s general skills. The facilitator needs leadership skills and knowledge of the farmer’s idiosyncrasy, credibility, belief in the model, technical, empirical or professional level that permit to understand the benefits of the model within the community. The recommendation is on recruiting indigenous people from the application area of the farming contract model with formal or and informal special knowledge that provide this person with the skills mentioned.

The interviewed with Critecnia’s facilitator in Chincha was useful in order to understand his strategy to communicate with the farmers. He explicated how important is to speak the truth in order to have credibility with them. Farmers appreciate the right and simple way of communication.

Critecnia’s facilitator maintained his views on the importance of the business and how decisive is the compromise by both sides (the company’s and the farmers’) in order to achieve the project goals. It is not free support to the farmers; it is a business with obligations and rights. In this sense, the facilitator started to question about the farmers’ traditional labor system, which is made without technology and high standards of quality.

The farmers were convinced of the need for implementing new labor systems in order to obtain high productivity and access to the market with good revenues. The model was working successfully throughout a four-year period and the facilitator was the bridge between the farmers’ and the company’s expectations. We need to state not only the importance of the facilitator’s role in the success of the Chincha model initiation but also how the farmers’ cultural values and idiosyncrasy are their strong mental powers, and these factors determine the subsequent failure of the model.

VIII. Four years later – the failure of the Chincha model

The Chincha model failed four years after initiating. After interviewing the company’s owner, a specialist in the agricultural sector in Peru, the reasons were many but the main one, from his point of view, was the farmers’ “idiosyncrasy” and their cultural identity. These “cultural” elements and idiosyncrasy -that resulted in the failure of the Critecnia model in Chincha- were observed in the farmer’s behavior when the agricultural sector in Peru was affected by “El Niño” Phenomenon.

In 2002 – 2003, Peru suffered from the “El Niño” phenomenon effects (climatic phenomenon that caused the warming of the ocean and produced droughts in some areas and unusual raining in other ones) that seriously affected the agrarian business. As a consequence of this phenomenon, the difficulties between the farmers started, they fought and got jealous of other farmers from the same group, who managed better the critical situation. The farmers decided to give up the repayment of their debts to credit companies and decided to call for government assistance to get debt forgiveness. This behavior that showed the cultural values and idiosyncrasy of the farmers in Chincha was based on past experiences by small-Peruvian-farmers, described by Lacki (1995) and stated by Nazca’s small-farmers in the focus groups set up in our research.
The situation was impossible to manage for the “service company” and for the facilitator, so they decided to cancel the model. Today, Critecnia is a successful company and has decided to buy lands in northern Peru, but they are convinced that it is quite complex to work with small-farmers because it is difficult to manage their idiosyncrasy and their cultural factors in the Peruvian context.

In this sense, we collected important information from the interview with Critecnia’s owner and other stakeholders in order to analyze how the cultural values and idiosyncrasy were not only determinant in the success of the Critecnia project throughout the first four years but also such elements resulted in the failure of the model. The main elements gathered in our quality research with the farmers in Nazca confirmed that there is difficulty managing culture and idiosyncrasy in national contexts.

The frustration feelings and isolation patterns that we observed in our research with the farmers as a result of their negative experiences, their waiting behavior for the government’s support when difficulties arose and the “non-fulfillment culture” were worth noticing when the Chincha model failed. Finally, and after difficulties came about, the farmers’ main goal was to “survive”. The loss risk set for business model parameters was supplanted by the “traditional principles”, without obligations and maintaining their dependency on the government’s support.

IX. Importance of the topic and the need for further research

Porter and Phillips-Howard (1997) stated the unimportant attention from the “staffing per se” in academic papers;

“The specific issue of staffing per se, however, has received little attention in the literature (though Jaffe, 1994, p. 136 argues the need for more research). In both Nigeria and South Africa we found this to be a particularly critical element in forging good farmer-company relationships, and suggest this may well be the case elsewhere, in view of the fact that in many schemes company management consists mainly of expatriates with limited knowledge of local languages and culture” (Gina Porter and Kevin Phillips-Howard, 1997: page 229).

The same authors underline the importance of the communication between farmers and company and the role of officers who manage local languages;

“Appropriate staffing and a degree of decentralization in management structures are essential if contract schemes are to work well: it is important not only that these companies do not cheat at their small growers but also that farmers be confident that they do not cheat. Moreover, the communication between companies and farmers as well as consultations with farmer are vital if perpetuation of top-down approaches – so often a major cause of failure on schemes – is to be avoided (Maloa and Nkosi, 1993). This cannot be achieved without the appointment of well-trained liaison and extension officers who speak local languages, possess appropriate interpersonal skills and are preferably indigene to the area” (Gina Porter and Kevin Phillips-Howard, 1997: page 230).

Simmons states the success of contract farming in relation to the “management environment”, which is stated as an;

“Ultimately success of contract farming hinges not only on the economic and policy environment but also on the management environment. In this regard, two groups of issues stand out. The first is quality of management, the second, types of actions taken by management. There are no published papers directly addressing quality in contract management however a number of papers refer to the issues” (Phil Simmons, 2002: page 1).

It is important to refer to the opinion of Asano in her reference to the cultural and historical conditions of the contract farming;

“I will therefore argue that contract farming should be viewed as a cultural and historical phenomenon rather than as an imposed legal category of universal human relationship, and that it should be viewed from the perspective of participants, in this case, that of farmers” (Asano, 1988: page 434).

From this point of view, it is important to pay more attention from academic literature in relation to the cultural aspects of the farming contract and its determination on its success or
failure in developing countries. In the case of Chincha model, the Peruvian experience is an example of the importance of cultural values and idiosyncrasy in the context of developing countries and it is necessary to orient more research towards these areas.

X. Conclusions

Asano’s opinion is quoted below;

“The contract farming should be viewed as a cultural and historical phenomenon rather than as an imposed legal category of universal human relationship, and that it should be viewed from the perspective of participants, in this case, that of farmers” (Asano, 1988: page 434);

In this sense, we can conclude that the idiosyncrasy and cultural values of the small-farmers were decisive in the success and subsequent failure of Chincha Valley’s farming contract model, in Peru. The experience in Chincha shows how important is to focus more on the analyses of the farmers’ cultural values and idiosyncrasy when we want to apply business models in Peru’s context as well as to extend the research area to other developing countries in the future.

The facilitator’s role and the commitment of indigenous people with special skills and characteristics are crucial in the management of the relationships between the company’s interests and the small-farmers’ expectations. Therefore, in the case of contract farming, it is better to focus on specific situations rather than general institutions, as Asano explicates;

“Further, it is the context of the contract which can make a big difference as there are many participants and factors in the environment that influence the workings and outcomes of contracts. The way farmers perceive CF, i.e., defining their relationship with companies differs across cultures” (Asano, 1988: page 434).

In fact, as Sukhpal (2005) states, there is so much diversity in the type of firms, farmers, nature of contracts, crops, and socioeconomic environments that it is better to focus on specific situations than the generic institution of contract farming.
Bibliography

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