

Institutional modalities in contract farming: the case of fresh asparagus in the Philippinesⁱ

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Introduction

Companies sourcing fresh produce globally link local production systems to corporate strategic outlooks and competitive consumer markets. Contracting out the production of fresh agricultural product is a widespread and important tool for organising agricultural production in line with corporate strategies and market demands. This system leads to social and technical integration of independent farmers into extensive production and marketing schemes adopted by internationally operating agribusiness. The precise organisational modality resulting from this form of incorporation and co-ordination often resembles a muddy mixture of variant institutional perspectives. Analysis of a contract farming scheme in the Philippines, producing fresh asparagus for the Japanese market, identifies a pallet of institutional perspectives and discusses what happens when these are incommensurable at times of production failures or financial pressures (Vellema 2002; 2003). My analysis centres on variant grower-company interactions in integration, and on growers' responses to the imposition of institutional frameworks. Ethnographic investigation points to the capacity of contractual arrangements to incorporate diverse social relations into the firm's operations and strategies.

The mixture of actors included in contract growing schemes makes it difficult to decide which partners are in effective control of the scheme and how major decisions are made (Glover 1984). This is especially so because the company has to rely on remote and indirect

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control. The indirect nature of control makes both the mutual understanding of the actual arrangement and the reliability and accountability of each partner crucial for the evolution of a production scheme (Clapp 1988). The hypothesis investigated here is that the co-operation between company and growers can sustain a profitable and stable enterprise, but it essentially depends on the capability to incorporate divergent interests and variant cultural notions of solidarity into one organisational framework functional to production and marketing.

Theoretical perspectives

In general, scholars in agrarian and rural sociology tend to concentrate on what goes on outside the 'globalizing corporation'. The analytical discussions want to understand the external prescription of farming activities or, in contrast, the diversity in the relations that connect global companies and local farmers. The new political economy of agriculture literature, which has a strong focus on the globalization of agro-food systems, examines contract growing through the lens of industrial restructuring (Friedland 1994). It sees contract growing as an integral element of the new international division of labour in agriculture (Raynolds et al. 1993) and new patterns of trade and changes in retailing (McMichael 1992; Bonanno et al. 1994). Much attention is given to the coercive character of contracting (Gerther 1991). Supposedly, the administrative hierarchies of international agribusiness, which are tightly integrated with the demands of finance capital and which are responsive to international competition, subsume activities of growers (Rickson and Burch 1996). In the above arguments globalization is basically understood as a macro-level process, shaped by the technological, economic and regulatory features of transnational production of food. This strong focus on the outcome of the historical transformation of agriculture fails to examine how technicians, growers and managers construct organisational transformation and technical change in a specific set of social relations that leads to the variation in contract farming schemes (Little and Watts 1994, Grossman 1998). Hence, we have to examine the empirical manifestations of globalization in the workplace, i.e. farmers' fields, more critically (cf. MacKenzie 1992).

Actor-oriented studies in rural sociology alert us to the dangers of exaggerating the potency and driving force of external institutions and interests (Marsden et al. 1990, 1992; Long and Long 1992). These studies emphasise the heterogeneity of farmers' strategies as well as diversity in perceptions, conflicts and cultural histories. Norman Long (1994, 1996) argues that, although agriculture is global in scope, local networks of groups and associations react

to global conditions by using local and extra-local resources and values. Each situation represents a specific configuration of interlocking actors' projects, which is generated by encounters, negotiations and accommodation (Long and van der Ploeg 1994). Actor-oriented studies identify variation, but risk over-playing agency and intention at the expense of broader organisational or technological features (Leach and Fairhead 2000). The evolution of contract growing schemes is not simply a story of dominance and resistance but involves the modes of co-operation between people, the type of governance and the imposition of rules, and the institutional configurations connecting people and technology.

I conclude from the above that little has been said about how certain strategies are developed and how specific organisational arrangements are deployed to enable companies to develop and exploit competitive advantage (Pritchard 2000). This lacuna may lead to a simple portrayal of corporate engineering (Pritchard and Fagan 1999). The focus of this study is on the interconnectedness of production activities and forms of governance for co-ordination, and, likewise, on the combination of capabilities that transcends the boundaries of firm and farm (cf. Coombs and Battaglia 1998, cf. King 1992). Therefore, I am less concerned with the origin of growing schemes or with the motivations for offering contracts in the context of globalization. My interest is in questions about co-ordinating procedures and policing instruments inside the institutional configuration of contract growing schemes (Wolf et al. 2001) and I pay special attention to the regulations and restrictions ordered by the company (cf. Coombs et al. 1992). This study aims to unravel the complexity and the locus of control, realising that economic behaviour is embedded in a network of social relations and that farm-level decision-makers are key to ventures such as contract farming (Porter and Phillips-Howard 1997, Welsh 1997). In contract growing schemes this implies a precise study of the input and prescription of technology, the surveillance and monitoring of productive activities, the measurement of quality, and the sharing and computation of revenues (Wolf et al. 2001). These issues expose what happens *inside* the organisation.

The institutional and organisational configurations of contract farming are extremely varied. There are many ways in which companies answer the question how to organise production, both technically and socially. Within the organisational framework of contract growing, both company and growers manoeuvre to improve their own positions, and individuals within the two groups pursue individual goals and strategies, which change over time (cf. Porter and Phillips-Howard 1994: 320). As a result, the actual behaviour of the different parties is an, at

times fatally muddled, compromise between potentially contending courses of action. Therefore, it is relevant to find an appropriate framework for understanding this particular institutional modality of agricultural production. I use neo-Durkheimian cultural theory as a heuristic device for mapping the diverse organisational formations wherein management and growers interact, and for describing the evolving managerial, administrative and working relations in contract growing. This exercise results in a characterisation of organisational cultures specifying the hybrid nature of contract growing schemes.

Neo-Durkheimian cultural theory, or grid-group theory (Douglas 1987, 1996), offers a fairly straightforward framework to categorise organisational behaviour in contract growing schemes. Essentially, grid-group theory distinguishes four social formations or institutional orders as the social and cultural context of individual behaviour. These formations are constructed by measuring different types of individual and collective responses to incorporation (social involvement or group) and imposition (regulation or grid) (Thompson et al. 1990). The group and grid dimensions can be either strong or weak; for example a hierarchical formation represents high levels of integration and rule-based behaviour. Grid-group theory brings out some of the varying and contradictory attitudes about who to blame, how to assess risks or how to put matters right. In my analysis, building on Mary Douglas' work, behaviour of growers and company employees and managers is nested in institutional modalities: contract farming combines measures of regulation with modes of social involvement. Therefore, institutional modalities include elements of society, which cross the boundaries of a corporate scheme.

Contract farming in the agro-food complex

Agro-industrialisation and global sourcing have fostered prominent and widespread institutional and technological changes in the sphere of agricultural production. These include the rise of contractual exchange in the place of spot markets, increased attention to product quality and safety, and the change in conduct of productive skills, know-how and technical choice (cf. Reardon and Barret 2000). Closing down of many marketing boards, changing consumption patterns and regulatory requirements, and expansion of international trade in fresh produce increased interest in contract growing as an alternative arrangement for agricultural trade through (deregulated) spot-markets (cf. Eaton and Shepherd, 2001). In addition, in land-scarce situations, such as Southeast Asia, contract-growing schemes are responsive to existing patterns of land distribution, inducing new ways to construct access to

land and to develop new ways of organising production. In Asian agriculture, largely based on fragmented smallholdings managed by independent producers with little bargaining power in markets, contract farming entails a new form of institutional change (FAO, 2002a, b).

Contract farming links farmers both to multinational firms, either retail distributors, shippers and producers of fresh produce, or input supply firms, and to consumers, either in foreign markets or in domestic markets. This case study examines the production of fresh, premium asparagus exported to Japan and contracted out by a subdivision of Dole Philippines. Dole's Philippine operations are mainly concentrated in Southern Mindanao and involve the production of pineapples and bananas, and, recently, a diverse package of high value crops largely marketed in Japan. In the early 1990s, softening prices for its major products in international markets - bananas and pineapples - and the Japanese appetite for fresh vegetables encouraged the company to venture into competitive fruit and vegetable markets. Increased marketing efforts led to the opening of a series of distribution centres. The company's terminals in Japan co-ordinated the supply of fresh products by several divisions in different parts of the world. The company's way to establish a position in Japan was to sell quality asparagus spears at prices significantly lower than its competitors. A crop diversification programme of the company's Philippine operations, with asparagus as the major crop, was an important step to secure the supply of high-quality produce. Japan is by far the largest import market for fresh asparagus in Asia, and it is one of the largest importers of this product in the world. In the 1990s, the Philippines succeeded to become a leading exporter of asparagus to Japan. Globally, the Philippines is still a small producer of green asparagus, compared to the United States, Peru and Mexico (RAP, 1995), but in the Japanese market the Philippines has become a major competitor for the leading producers.

In the company's strategy, contract farming served as a tool to socially and institutionally integrate independent farmers into agribusiness complexes, by introducing new crops, creating marketing facilities, and co-ordinating the farming practices with the harvesting and processing operations of an agro-industrial corporation. By farming out the actual production, the company gives up direct control over farm management and over land. The role of contracts is to introduce predictability into agribusiness operations, to motivate performance and to enhance quality control, and to reallocate financial risks and rewards (Wolf et al. 2001). A production contract requires the producer to deliver a particular crop on a given date for a price commonly specified in advance. The contract contains detailed instructions

governing decisions about farming practices. And it usually requires meeting market obligations, in terms of quality, volume or production method. The company frequently exercises some control at the point of production through advice and assistance from its technicians and extension agents. Hence, contracts regulate the production of farmers to a certain extent. However, this study suggests that contracts are mostly incomplete and are not able to cover unforeseen deficiencies and problems in production. Typical contracts are incomplete; not all events can be anticipated and rationalised in a formal contract and the contract must function in a changing organisational environment (Rousseau 1995). Due to the absence of complete contracts, managerial and technological interventions are inevitable in contract growing. These interventions reveal concrete mechanisms constituting the social relations of production in contract farming.

Therefore, the analysis of integration of independent farm enterprises should not be limited to formal and associative factors. Contract farming schemes can better be envisaged as a political coalition, rather than a unitary rational body (MacKenzie 1992). It also suggests that contract farming can best be understood as an evolving institutional arrangement, which engineers both the political and organisational features of integration. Thus, contract farming can better be understood as a rolling set of adjustments, and not as a search for a perfect accounting or technological system that excludes any uncertainty.

The institutional culture of integration and accountability

The asparagus growing scheme was embedded in the regional political economy of Southern Mindanao. In the early 20th century, Muslim communities largely occupied the region. Since World War II, settlers received land titles from the Philippines government and participated in an orchestrated development project. The stream of migrants persisted and eventually Christian settlers formed a majority in the region. In addition, the establishment of a vast pineapple plantation attracted large numbers of workers and exhausted the land frontier in this area. Since the 1990s, mixed populations of independent farmers have become increasingly linked with agribusiness companies. In this context, Dole's newly established contract growing scheme incorporated a variety of existing landholdings, which implied the incorporation of both Muslim communities and settlers villages.¹ Local brokers and the company frontline workers were key actors in this process of integration by global corporations and local farming communities.

Analysing the social character of communities affected by the contract growing scheme leads on to the question of how an organisation works when collecting such a variety of growers, with correspondingly divergent moralities and political cultures. In theory, all contract growers, large or small, Muslim farmer or Christian settler, are subject to the same level of integration, as well as the same loss of control. However, companies have to adopt strategies to include variant local social formations, and combine these with various forms of corporate control. This also appears to be their key problem in managing and organising contract growing. As it turns out, the prevalent assumption -presenting the contract growing scheme as one uniform organisation with one dominant culture- seems to be invalid. It then becomes crucial to comprehend the way in which social order is constituted in a particular institutional configuration.

Integration shapes the organisational cultures in which company and growers interact, either through a process of brokerage and attraction by reciprocity, through a process of venturing into a new enterprise and cultivating a business mentality, or through a process of institutional capture by administrative controls and performance review. It is also important to realise that food provision systems consist of differently behaving groups with distinct and specialised tasks and with different perceptions on how technology should function or production be arranged (Hughes 1987). The particular social organisation and distribution of tasks may constrain the endeavour of both companies and growers to combine their efforts in solving complex and integrated technological problems (cf. Hutchins 1995). Organisational variety allows growers and company to pick a form of interaction that suits their current interests. As a consequence, contract growing entails a lot of strategizing, as well as numerous collisions between divergent perceptions on the actual content of the social relationship. An unspecified mixture of coercion and control, of persuasion and conventions and of converging self-interests fabricates the institution of contract farming.² This is reflected in the mutual persuasion to earn a living in a particular type of organisation (Douglas et al. 1998).

The following section attempts to see the strategizing of company and growers against their organisational background and their institutionally imposed roles. An essentialist view on the social position of contract growers does not help understand the realities of this scheme. The following describes a variety of ways in which groups come and hold together; such as accounting for actions, loyalty to an organisation, social responsibility, and trust in the

negotiators in Muslim communities, whose power is located within a bounded local community, but whose authority is challenged by the consequences of the contract. These brokers are assigned to respond, on behalf of their constituency, to challenges and unfavourable terms set by the company.

Table 5.1: Dimensions of and responses to incorporation and imposition in contract growing
(A summary of neo-Durkheimian cultural theory)

		
<p>Fatalist culture Contrived randomness and reciprocity</p> <ul style="list-style-type: none"> ▪ Acceptance of uncertain procedures and unpredictable rewards; ▪ Stratified individuals alive at margins of organisational patterns; ▪ Individual bargaining outside formal reward system and exploit personalised relationships in situation of limited choice; ▪ Permanently failing organisations and perception that economic survival is not linked to performance; ▪ Clash of cultures; close territories and put blame on the system. ▪ Minimum anticipation and lack of disposition to take responsibility: ad-hoc responses to events. 	<p>Hierarchical culture Administrative control and transparency</p> <ul style="list-style-type: none"> ▪ Elaborate organisational apparatus of controllers and overseers at all levels of the organisation; greater managerial grip; ▪ Division of labour and differentiated roles; confidence in organisational competence; ▪ Excessive trust in technical expertise and tight bureaucratic procedures; ▪ Binding prescription and inability to learn; error inducing organisation; ▪ Fairness consists of equality before the law; conceal evidence of failure. 	
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<p>Individualistic culture Entrepreneurial partnership and performance by competitive individuals</p> <ul style="list-style-type: none"> ▪ Freedom to enter and to exit transactions; ▪ Relationship is subject to negotiation and dependent on the ability of individuals to shape their work as they choose; ▪ Boundaries are provisional and failure stems from lack of co-operation; ▪ Unchecked private gain at the expense of what is supposed to be a collective enterprise; ▪ Pursuit of personal rewards; dependent on effort. 	<p>Enclavist or egalitarian culture Brokerage and delegated negotiation</p> <ul style="list-style-type: none"> ▪ Sending a delegate as negotiator; strong relations between group members; ▪ Shared opposition to outside world keeps group bounded together; ▪ Respond collectively to opportunities provided by company; ▪ Failing negotiation and unwillingness to accept higher authority to break deadlocks; lack of ability to resolve disputes and feuds; 	

Source: Fieldwork observations and drawing on Hood (1996, 2000), Mars (1982), Douglas (1987).

Note: The vertical *grid-axis* represents the degree to which life and behaviour of individuals is circumscribed by conventions and rules or by externally imposed prescriptions; it reflects the extent to which space for individual negotiations is reduced. The horizontal *group-axis* represents the degree to which individual choice is constrained by group choice; it reflects the extent to which an individual's life is circumscribed by the notion of solidarity of the group he or she belongs to.

Fatalist culture: contrived randomness and reciprocity

When initiating the scheme, the company had to persuade growers by showing that its offer was promissory, that it was bound to future action. Under such conditions, provision of credit and strategic uses of advances and other payments to secure loyalty through personal obligation were among strategies open to the company (Clapp 1988). At first sight it looks as if growers and company are affiliates in a production chain, in which one party sells its produce to the marketing agent. However, the marketing or production contracts *per se* did not play a decisive role in the relationship between growers and company. Most growers told me that they spend no more than 2 minutes in the office of the company's 'customers relations officer' both reading and signing the contract, which comes down merely to placing a signature on a piece of paper supposedly distributed to growers at a later stage.

At the outset of the scheme, brokers had played a key-role in the communities for several years. Brokers strongly contributed to discussion among growers about feasibility and risk of negotiations, about levels of income acceptable to farmers and about the levels of profitability the business aspired to. Usually, they acted as mouthpiece for a group of growers, and many gained experiences in local politics or as professionals in companies, or in the army. These powerful growers, acting as brokers, were also able to access company officials in their offices and partially negotiate the outcome of accounting.³ Some rich growers used their personal relations to obtain contracts for hauling asparagus. The company also rewarded their political effort, for example, by compensation for experiments in their farms.

In addition to seeking support of local allies, technicians illicitly distributed rewards among dependent growers, such as increased labour budgets or specific attention to production problems in certain farms. In the corporate hierarchy, technicians, as frontline workers, were essential to maintain the relationship of trust with growers. Technicians evaluated a grower's ability to repay non-operational advances for educational or health purposes. In this system, growers without personal ties to technicians, and to a lesser extent to company officials, had a weak bargaining position; others expected to benefit from inviting technicians, superintendents or staff as godparent to the baptisms or weddings of their children.

Growers claimed to have shown a lot of confidence in the company by trusting their land to the venture; company employees actively nourished the idea of a personal partnership to sustain this level of confidence. During so-called friendship seminars, growers and company personnel were brought together to discuss problems with the idea to avoid polarisation and

to maintain good working relations. However, when the company, due to financial pressures and declining quality levels, decided to review the individual performance of growers it ran into collision with leading figures in two of the Muslim communities who took extreme measures in their negotiations with the company. They translated their disapproval of the formal rewarding system into obstruction, and isolated themselves from the scheme. Company trucks were no longer allowed to pass by their fields and technicians felt threatened. These growers assumed an isolationist or fatalist position (according to the grid-group scheme), illustrated by a technician's description of the situation:

A small number of growers do not bother about the future anymore. Many of them have no hope left they will ever be able to pay their debts. They spend their budgets on other things or delay payments to workers, which, of course, had a strong impact on production. These are the ones making trouble. The majority of the growers, however, realise that asparagus is their life; that improvements have been realised due to asparagus production.

Characteristic of the troublesome villages was that not one single family was of overriding importance. Several factions constituted the community, and in case of conflict, entire kinship networks became involved, but not necessarily the whole community. Nevertheless, obstruction of operational affairs and the isolationist stance taken by a number of kinship networks affected all growers located in the area. Dealing with such a complicated social matter was beyond the capacity of company technicians and officials. After several attempts to mediate, company management decided to leave it to the community to solve these problems; technicians were no longer allowed to enter the area and most operations were cancelled. For the company, these dissident cultures are hard to deal with, and there are few grounds for reconciliation. Due to this failure in social engineering, the company left the handling of conflicts to the community leaders.

The performance review undermined existing vertical links binding growers to office-holders or technicians, which raised expectations in regard to services and security (cf. Scott 1972). In Philippine culture, this raises the question whether a contract is, in fact, a transaction of reciprocal obligation. In addition to the company's efforts in contracting farmers, particularly when offering credit facilities and personal favours, this attitude suggests a willingness to replace a traditional patronage relationship with new personalised relationships.⁴ This coincides with a widely observed characteristic of interactions in Philippine culture, namely a personal orientation to the world (Perterra 1997). Hence, in many conversations, farmers

suggested that signing a contract implied the existence of new forms of reciprocity and redistribution, in order to fulfil the company's social obligations (cf. Hollnsteiner 1973).

The company's social obligation towards growers was most explicit in its relationship with persons in strategic positions, who acted as intermediaries for the growers and company, fixing social problems. These persons were often able to turn brokerage into an economic-political activity (cf. McCoy 1994). More ambivalent was the company's attitude towards cultural expressions of reciprocity in the case of individual growers. Individual growers settled for small concessions, such as non-operational advances, but they had to deal with numerous gatekeepers inside the company's structure. To achieve some security through interdependence, growers cultivated a personal network of alliances for strategic purposes (Pertierra 1997).

When the production scheme evolved, growers were increasingly confronted with impersonal institutions and objective financial norms enforced by remotely known functionaries. Increasingly, management rewarded efficiency, and placed less value on personal ties. New company regulation and control began to constrain growers' behaviour and growers' resisted by breaking the rules. Eventually, reciprocal relations proved to be inadequate to govern the new modes of interaction beyond the boundaries of the village (cf. Pertierra 1995). It became obvious that the actual functioning of a contract growing scheme largely depended on its organisational features, and its linkages to other parts of the corporate structure, as we shall see in the following.

Hierarchical culture: administrative control and transparency of financial measures

In the beginning of the scheme, trust between growers and company resulted from applying a particularist principle. However, rising labour costs, and declining productivity and lower quality levels, triggered interventions in which financial figures and accounting procedures proved to be decisive. Additionally, the company decided to abandon growers because it was not prepared to 'subsidise' poor-performing growers. Accounting became a tool in reviewing and re-organising the contract farming system. The resulting strict financial control and performance reviews presuppose an application of universal principles (Jönssen 1996: 109). A striking outcome of this shift in managerial style was that the social role of community leaders and brokers in the production scheme altered. Emphasising this shift, the new manager told growers that he no longer looked at who they were; only performance and costs

mattered in managerial decisions. Privileges and benefits were gradually cut-off. Obviously, this left no space for showing gratitude or consideration for growers who had played a stimulating role in the early phases of the venture. Thus the company resorted to management styles which contrasted to the previous experiences of growers.

Due to the company's decision not to invest directly in agricultural production, other contractual agreements than the production contract co-shaped the institutional logic of this growing scheme. Far away from the actual farm, a semi-public development bank and a government-owned guarantee funds reached an agreement with the company to become engaged in this export-oriented project. A crucial element in this engagement was the provision of loans for farm development, and the opening of a credit line for the operational expenses of growers' associations. The presidents of these growers' associations signed the basic agreement for the operation -the financing agreement between association, bank, company and guarantee fund. The specific terms of the various contracts were hardly discussed with either associations or growers; the several government institutions involved primarily supported the idea of modernisation, but lacked a clear vision about how to set specific terms and obligations, or, for example, how to introduce a transparent quality-incentive system.

Of overriding importance for the organisational and social dynamic in this scheme was the fact that the company was assigned as collecting agent for the bank. In contrast to the work of the agricultural department, managers and financial staff had no direct involvement in agricultural production. For them, accounting information was an end to monitor the company's profitability and the financial figures were crucial in defending the outcome and the future of the operations in front of top-management, representatives from headquarters, and in the end, company shareholders. Understandably, a typically instrumental interest in production dominated these spheres of the corporate structure (cf. Roberts and Scapens 1985).

Consequently, its role as bank-agent turned the company's financial department into a key-player in the financial affairs between growers, associations, bank and company. Its responsibility was to deduct from the asparagus sales proceeds the amortisation, bank charges and production costs, and to remit the amount collected to the bank. In addition, it fixed cash proceeds and declared excess payments, which constituted the actual reward for growers' effort. The separation of spheres of action -in particular those of financial transactions and

productive actions- seriously affected the original ways through which trust and loyalty was maintained. Increasingly, individual accounts of growers took over the role of personalised bargaining and social interaction; administrative hierarchy displaced the potential for reciprocity.

For growers it was not easy to decide how to act in these circumstances. Far-reaching integration into a corporate hierarchy suggests that collective bargaining is a convenient way to change terms and outcomes of the arrangement. However, growers basically viewed themselves as individual entrepreneurs who made a deal with a company. Hence, many growers strongly disagreed with the implementation of uniform policies, which did not take account of the differences between individual performances. Moreover, in this particular growing scheme no formal bargaining mechanisms had been established. Representative farmers' organisations, i.e. the associations, were largely driven by the requirements of the finance agreements with the bank, and the associations had little autonomy in decision-making (Clapp 1994). Moreover, I observed several organisational and political processes obstructing collective bargaining. Several efforts had been made to organise a federation, which would be in the position to bargain with the company on behalf of the growers' associations. However, this initiative received little support, both from the side of the company, and from the side of individual growers. Company management even tried to limit the role of existing associations or co-operatives by decentralising technical discussion to groups at field level, under the supervision of technicians. This process eroded the authority of association in the fields of finance and production. Moreover, interactions between growers and company technicians were usually individualised, which undermined collective action. In asparagus growing, there was no co-operative body acting as an intermediary organisation, mediating the power relationship between buyer and grower and defusing conflict (Little 1994, Porter and Phillips-Howard 1997). The associations in this scheme did not provide a venue for negotiations with the company. On the contrary, both association presidents and individual growers usually preferred to negotiate their individual interests and rewards.⁵

Individualistic culture: entrepreneurial partnership and performance

The contradictory situation in contract growing is that a contract readily locates growers outside the institutional and bureaucratic hierarchy of the company, while company management still has to find a way to construct control. The need for innovative and flexible

corner cutting operators on the one hand, particularly technicians and brokers, and the need to maintain rules, on the other, represents dual dilemmas for organisations based on technological intensification and integration of distinct parties. Although growers view themselves as business partners, there is, nevertheless, a strong group dimension to the scheme.

In principle, however, the company perceived the relationship between growers and itself as a mutual dependency of two independent and equal business partners participating in a successful enterprise. In this approach towards the problems in asparagus, the company was persistently building a consensus around how to manage farms efficiently, in partnership with growers. Together with growers, the company tried to construct a workplace for growing asparagus. Growers were told to be a good employer; it was suggested they were “to lead by example, to encourage workers and give incentives, to make hard decision but to be soft on people, to be tender and loving as a person, and to pay salaries on time”. As business farmers, growers had to become employers accountable to hired workers.

However, this view is not univocal. Sometimes growers approved this presentation, with its emphasis on a business deal, and indeed acted as business partners negotiating for better terms and higher prices. More often, however, growers, technicians and managers acted and negotiated within their pre-scheme solidarity, to some extent ignoring the institutional conditions of the contractual arrangement.

The review process induced increased individual bargaining and, sometimes, rivalry between growers. Many growers increasingly acted as individual business farmers, and problems with the company were rarely solved collectively.⁶ Also company management gave the impression to stick to business in its association with growers. The idea of a business-like partnership appeared on several occasions. In the feasibility study, in the various Memoranda of Agreement or Production Contracts, and in the Financial Agreements, a common notion of the contractual relationship is present -all participants involved in production, processing, and marketing of the asparagus are defined as separate and independent entrepreneurs. Company and bank adopted a representation of the contract, which transformed socially unequal partners into ‘political and social equals’.

For these ‘business farmers’, a disappointing result of the review process, however, was the absence of an opportunity to negotiate a better business deal: buying prices increased

marginally and production costs rose continuously. This was difficult to balance by an enhanced effort by individual growers. Some growers were willing to exit the scheme. Simultaneously, company management reinforced the importance of performance measures in terms of which individuals are evaluated; participation in the scheme became conditional and removal from the organisation was a possibility. Additionally, the company's financial department presented facts and figures as objective measurements, generating an apparently inescapable and indisputable image of the results of organised activity.

Managerial practice was fragmented and sequential and did not reform an organisation from the bottom up (cf. Wildavsky and Hammond 1965). Most of the action was oriented towards the justification of a small number of incremental changes in isolated expenses, such as labour or fertilisation. Company management did not review a wide range of alternative expenditures, nor did it investigate thoroughly the consequences of proposed budgetary and expenditure changes. Interventions were presented merely in terms of changes of existing budgets and earlier commitments. A major target for the calculations was making growers aware of the organisation's goals and standards (Bougen 1994). The cultivation programme, on the other hand, was not reviewed from the ground up.

Growers disliked the change in the relation between physical effort and reward and they discredited the company's status as the technical expert in a risky enterprise. Furthermore, growers expressed great discontent with the practice of accounting. From the point of view of the growers, the accounting system failed to create transparency in the numerous transactions between company, bank and grower. Additionally, growers had little knowledge of accounting procedures inside the company, which led to mistrust and suspicion. Although the company might not be bent on cheating growers as a matter of policy, errors and malversations in the accounting system eroded growers' confidence in the whole operations. Opportunistic behaviour by employees created an atmosphere that growers were being cheated by the company, which did not contribute to a sustained relationship of trust (Jaffee 1994). Accounting graduates among the growers claimed that "accounting-wise the company is not transparent". Understandably, this observation made growers reflect on the reward system they were part of:

Small farmers need to know not only that they gain financially from the contract enterprise, but also that they are not being cheated out of further profits by company manoeuvring (Porter and Phillips-Howard 1997: 227).

Clashes over the validity of financial figures, misapplied accounting and embezzlement forced the company to organise its relationship with growers very carefully. For that reason, the company balanced between imposing hierarchical relations on institutionally captured growers and establishing a well-matched relation with independent business farmers (who might be regarded as individualists). A grower pointed to duality in the organisation:

I do not think the company wants to cheat as matter of policy because in business you give a fair share to your partner. The problem is that the financial system did not make asparagus growing a business; they created an employer-employee relation.⁷

As a result of the lack of transparency concerning accounting procedures and financial records, the operation bogged down. Moreover, growers complained about the lack of respect shown by company personnel and the obstructive role of various gatekeepers inside the company. This left growers with the feeling that nobody in the company was prepared to risk his/her neck for a real solution to declining profitability and productivity. Likewise, the lack of authority over the financial department reinforced the production manager's inability to counter distrust in the scheme. Justification to improve economic performance, e.g. rehabilitation or investments, may have had little influence against a powerful budget-cutting drive. So, hierarchically imposed financial measures resulted in a declining confidence in efficiency and integrity of the company. As a result, entrepreneurial growers were inclined to leave the scheme. However, financial bonds kept them attached to the scheme. This situation led to fierce resistance to the outcome of signing a contract. In effect, the company found itself unable to bridge between hierarchical and individualist solidarity.

Enclavist or egalitarian culture: brokerage and delegated negotiation

To some extent, the process of integration took place at a different pace in the Muslim communities. A peculiar and stable feature of the Muslim communities involved in the scheme was the leading role of political leaders, or *datus*, as spokespersons for their constituency. Most leaders I interviewed combined a vision on modernisation and entrepreneurship with a positive attitude towards business investments in their communities, even by foreign corporations (cf. Wertheim 1978). The company relied on these leaders to gain access to the villages and to cut deals with individual landowners. Their collaboration created the foundation for the development of commercially oriented growers of export crops. In the organisational set-up of the production scheme, the company was not able to

disregard these brokers. Although individual growers were contracted, these local leaders took care of most communication and negotiation. Muslim leaders explicitly nurtured ideas of justice and social equality; their sense of propriety was that people in their constituency, both growers and workers, were entitled to livelihood and dignity (cf. Kerkvliet 1986, Hollnsteiner 1973). As a consequence, the brokers had to defend both their individual interests as well as collective interests in cases of failure or conflict. For the company, this contradictory form of representation turned out to be a burdensome aspect of the social character of the growing scheme.

Hence, especially in the Muslim villages, the way to compromise was a community affair. A diverse group of growers and workers belonged to the constituency of one single family. This family was assigned to negotiate on behalf of the group. Much depended on the position taken by local leaders; as local politicians they were obliged to negotiate social justice and redistribution of benefits on behalf of their constituency. Political leaders worried about the future of workers and small growers, a majority of their constituency and voters.⁸ In these communities, almost all communication between company and growers passed through the brokers or spokespersons. Brokers, or delegated negotiators, continuously played a decisive role in responding to changing opportunities presented by management. Such a self-governing group was able to take a firm stand in negotiations with the company. However, it was difficult to make a breach in the company; their organisational capabilities did not fit the corporate hierarchical structure. Moreover, in cases of conflict, brokers may, for individual or collective reasons, decide to shift to an isolated position and obstruct further incorporation into the corporate structure.

Conclusions

This study's inquiry centres on organisational variety and evolving definitions of management functions, as features of a system of vertical integration. The hybrid nature of contract farming described as the combination of hierarchical forms of administration and entrepreneurial attitudes towards small-scale production, the mixture of outsourcing productive activities and hands-on supervision by company technicians, or the prescription of technology packages and the need for skilful management of farming by independent growers.

The evolution of management practices and working relations in this particular scheme shows that the concept of contract farming cannot be limited to a formal understanding of the relationship between company and grower -a firm requesting a group of farmers to produce high value crops, which the first party then sells. On the contrary, it suggests that contract farming can best be understood as an evolving institutional arrangement, which engineers both the social and organisational features of integration and the management of farm work and technology on dissimilar landholdings. It argues that variations in ideas about how to organise production-related activities is a recurrent and constant issue in contract growing.

I observed four modes of control and regulation, acting as interdependent social practices receiving variable emphasis during the evolution of the scheme (see table 2 for a synopsis of different managerial perspectives present in the company). In these organisational formats, growers and company were held together differently. Firstly, building personalised relationships constructed the idea of partnership in a new enterprise. Secondly, the administrative and financial inclusion of growers gave logic to an extensive corporate administrative hierarchy. Thirdly, the process of review of performance rooted in attempts to raise productivity levels gave rise to subtle forms of competition and a move towards individualised bargaining. And, finally, the brokerage of a social compromise led, in more extreme cases, to abandonment and obstruction. These organisational forms function separately and concurrently in a single framework.

Table 2: Forms of regulation and control in contract farming (adapted from Hood 2000)

<p>Mutuality</p> <ul style="list-style-type: none"> ▪ Emphasise partnership and sustain familiarity ▪ Reward local brokers for commitment ▪ Reciprocal processes of interaction as solution to management problems ▪ Unpredictable patterns of decision-making and supervision 	<p>Hierarchy</p> <ul style="list-style-type: none"> ▪ Strengthen monitoring and performance review ▪ Conscious oversight and inspection embedded in ladder of authority ▪ Formal power to pronounce on disputes or complaints ▪ Command action and prescribe farming practices
<p>Competition</p> <ul style="list-style-type: none"> ▪ Make growers responsive to reward ▪ Improve technical performance of individual farms ▪ Outsourcing of all activities ▪ Decentralisation of growers' association <p>Reduce involvement in productive activities</p>	<p>Brokerage</p> <ul style="list-style-type: none"> ▪ Broker social compromise and negotiate with collective ▪ Rely on group to check behaviour of individuals ▪ Abandon area and elude negotiator

This messy mixture of management styles can be seen as an unintended outcome of how contractual relations are embedded in local societies, rather than as intentional nurturing of different institutional cultures. So, contract growing can be a robust organisational form because it is able to incorporate cultural and organisational diversity into its constitution. This situation was, however, not the way in which the scheme was supposed to work. The presented evidence shows that companies hunt around among management styles. Disappointment over the capacity of one approach to deliver satisfactory results leads to increasing support for one of the other options. Moreover, in problematic situations management tends to opt for extreme measures, such as imposing hierarchy or pure business deals, which rule out the cultivated mixture of cultural notions and social frameworks apparent in the beginning (Hood 1996: 221). Managers may opt for congenial, prescriptive solutions and retreat into fixed technologies rather than more stressful and ‘nitty-gritty’ actions in difficult social interactions (Hood 2000).

The above indicates that, over time, the company adopted various organisational tools to shape its relationship with growers. Growers, of course, did not readily accept the organisational visions accompanying interventions in the scheme. Hence, this study exposes divergences in conflicting perspectives on organisational activity. The company’s emphasis on technical and rational behaviour denies the social origin of co-ordination and productive activities in a division of labour (cf. Douglas 1987). Imposing one form of organisational activity forges a new identity and new modes of social engagement. But not all disagreements can be handled through bargaining over differences by free contractors, or through forcing growers into a framework of hierarchical control. Various contingencies and ruptures impacted upon the common ground prepared at the start of the scheme. Over time, and as a result of several interventions, organisational life in the scheme moved away from partnership in a business venture and gradually tended towards intensified bureaucratisation accompanied by enforced lines of authority.

Contracting schemes cannot escape the consequences of institutional diversity. Companies and farmers both think socially, but they also think differently. This is a process of both co-operation and contest in which achieved results are significantly different from what the company planners assumed or would have liked them to be. If, as Douglas (1987) insists, the institution thinks, then in the case of contract farming, it is inherently of two minds.

Notes

¹ For more studies of the regional political economy in Southern Mindanao I refer to: McCoy 1982; Beckett 1982, 1994; Iletto 1971; Tan 1995; Paderanga 1995; Azurin 1996; Pelzer 1948; Muslim 1994; Hayami et al 1990.

² Literature on contract growing suggests that forms of resistance and negotiation seem to be individual, fragmented and unorganised (Little and Watts 1994, MacKintosh 1989). The contract remains a source of tactical resistance for the growers, as is indicated by diversion of inputs or abuse of labour advances (Watts 1994). The danger of this argument is that it treats farmer responses all in terms of individual actions. In contrast, we want to explore whether growers' strategies also reflect other forms of solidarity or reveal subtle cultural renegotiations of the agreement. This objective is rooted in the observation that growers have different appraisals of how to act, and, consequently, how to see the relation with, and their dependence on, the company.

³ Other growers, however, complained about the inaccessibility of the company compound: "We have to wear shoes to enter the office, otherwise you will be sent back by the company guards to the gate. Therefore, we have to borrow shoes from our neighbours. Furthermore, many of the negotiations are directly with the General Manager, so you have to voice out in English".

According to Pertierra (1988: 186/7): "A dominant idiom such as English limits the ability of peasants to assert and justify their discursive claims. Internal political relations are less marked by power differential and are more characterised by normative interests. In this latter context, utterances depend more on their content for their value and there is a corresponding tendency to employ discursive models using the rich vernaculars".

⁴ Scott observes a similar outcome of changing relations in Malaysia: "Although older patron-client bonds may lose legitimacy, new vertical links may join peasants to politicians, office-holders, or rural bosses and provide many of the essential services of the older relationship" (Scott, 1972: 6, emphasis added)

⁵ In Korovkin's study (1992) individual producers signed the contract, but the terms were negotiated collectively. Due to absence of landlords, fruit companies and government credit agencies developed into a new and important centre of local power. However, they had to confront organised contract growers, mostly of peasant origin, who were able to defend their collective interest.

⁶ The outcome of budget cuts and the reduced subsistence allowance was less dramatic for well-off farmers compared to financially weak farmers. However, the company's review process was not discriminatory along these lines: big landlords, as well as small farmers were dumped. Farmers capable of containing costs and improving quality were likely to prosper despite the enforcement of budgetary control. Farmers who had spent the profits from asparagus growing for purchasing consumption goods, such as motorcycles, were highly dependent on the offers made by the company. Others, who had invested profits in new farms or other businesses, had a sounder base to negotiate new terms introduced in the scheme.

⁷ A similar dichotomy is presented by Bernal's analysis (1997) of the colonial Gezira scheme in Sudan. In this scheme, colonisers created a subordinate and dependent population of farmers, while, simultaneously, they represented and treated farmers as if they were free agents, or 'partners', to whom the benefits of scientific methods and corporate opportunities were extended.

⁸ One of the Muslim brokers said: "Labourers will be hurt by abandonment. A farmers will retain the land; they will lose their jobs". After a series of conflicts and cases of abandonment, it was rumoured that in some villages militant and armed Muslim groups were recruiting jobless farm workers.

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