

BUILDING THE BRAND “CAFÉS DO BRASIL”: THE INSTITUTIONAL FAILURES AND THEIR EFFECTS ON THE BRAND’S POSITIONING ON THE INTERNATIONAL MARKET

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ABSTRACT: New consumption patterns based on quality and sustainability have encouraged the coffee production chain to innovate and adapt to the new competitive scenario. While Brazil is the world’s largest coffee producer, it is known mainly as a producer of commodity coffee. To overcome these weaknesses, the Brazilian government has implemented policies designed to align the coffee sector with the new global consumption patterns. The centerpiece of those policies is the creation and institutionalization of the “*Cafés do Brasil*” program with the purpose of promoting the brand “*Cafés do Brasil*” in the international market as a symbol of quality, flavor, diversity of origins and sustainability. This paper deals with how the institutional framework that guides the agents was designed, how the structure and mechanisms for coordinating and adapting the agents involved in the *Cafés do Brasil* program were established and to what extent the program has achieved its goals. The research findings reveal that elements linked directly to the institutional framework have compromised the program’s effectiveness. By decentralizing the coordination and control activities to regional agents, the Federal Government is failing to coordinate the program. The lack of alignment between the different organizational levels has led to the proliferation of regional brands aimed at the domestic market indicating a shift away from the original objective of the program to establish the brand “*Cafés do Brasil*” as a symbol of fine Brazilian coffees on the international market.

KEYWORDS: specialty coffees, *Cafés do Brasil* brand, innovation, governance, institutional failure.

I. Introduction

Coffee is one of the most consumed beverages in the world. New consumption patterns based on quality and sustainability have determined the need for a new approach in the coffee business (CARVALHO et al., 2016; VELLEMA et al., 2015). Consumers are increasingly choosing sustainable, ethical, healthier and higher quality products (Van LOO et al., 2014; GRUNERT et al., 2014; DING et al. 2015; VEEM; ADAMOWICZ, 2015; ORQUIN; SCHOLDERER, 2015). This consumption pattern has encouraged the coffee production chain to innovate and adapt to new competitive standards.

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Consumer behavior based on quality and sustainability has led to the segmentation of the coffee market into products with higher added value differentiated by specialty, thus breaking the price competition rationale typical of commodity coffee markets (PONTE, 2002; SAES, 2006; RAYNOLDS et al., 2007; VISSCHERS et al., 2013; CARVALHO et al., 2016; VELLEMA et al., 2015). The result of this new behavior in the coffee market can be measured by the rate of consumption of specialty coffee over the last decade, which has grown by 30% (USDA, 2014).

While Brazil is the world’s largest coffee producer, it is largely identified as a producer of commodity coffee. Until 1989, the International Coffee Agreement (ICA) stipulated prices, quality and market shares at the international level. At the same time, the Brazilian Coffee Institute (BCI), operating in the domestic market, was primarily concerned with expanding production, thus relegating quality to second place. Consequently, Brazil has traditionally positioned itself as a producer of the commodity coffee, known internationally as “Santos Type” coffee (SAES; NAKAZONE, 2002; ZYLBERSZTAJN; FARINA, 2001). This identity as a large producer of “Santos Type” coffee is no longer compatible with the current reality in coffee marketing, which requires differentiation in terms of various aspects of coffee production and consumption. This situation led to Brazil becoming increasingly isolated from the specialty coffee market (ZYLBERSZTAJN; FARINA, 2001; VIEIRA; CARVALHO, 2000).

In Brazil, coffee is grown by about 287,000 producers in 2.3 million hectares spread over about 1900 municipalities. In 2014, the harvest was 45 million sacks (CONAB, 2014). Minas Gerais accounts for over 53% of national production. Acre, Bahia, Ceará, Espírito Santo, Goiás, the Federal District, Mato Grosso, Mato Grosso do Sul, Pará, Paraná, Pernambuco, Rio de Janeiro, Rondônia and São Paulo complete the list of producer states, as shown in Figure 1, below.

Brazilian coffee is exported to the five continents. According to the Brazilian Coffee Exporters’ Council (CECAFÉ) and the Ministry of Development, Industry and Foreign Trade (MDIC), in 2014 more than 36 million sacks were exported, 80% of this volume was destined to Europe and North America, particularly the United States, Germany, Belgium and Italy. In Asia, while Japan stands out, countries like India and China have attracted attention and efforts on the part of Brazil to expand the volume exported to those countries.

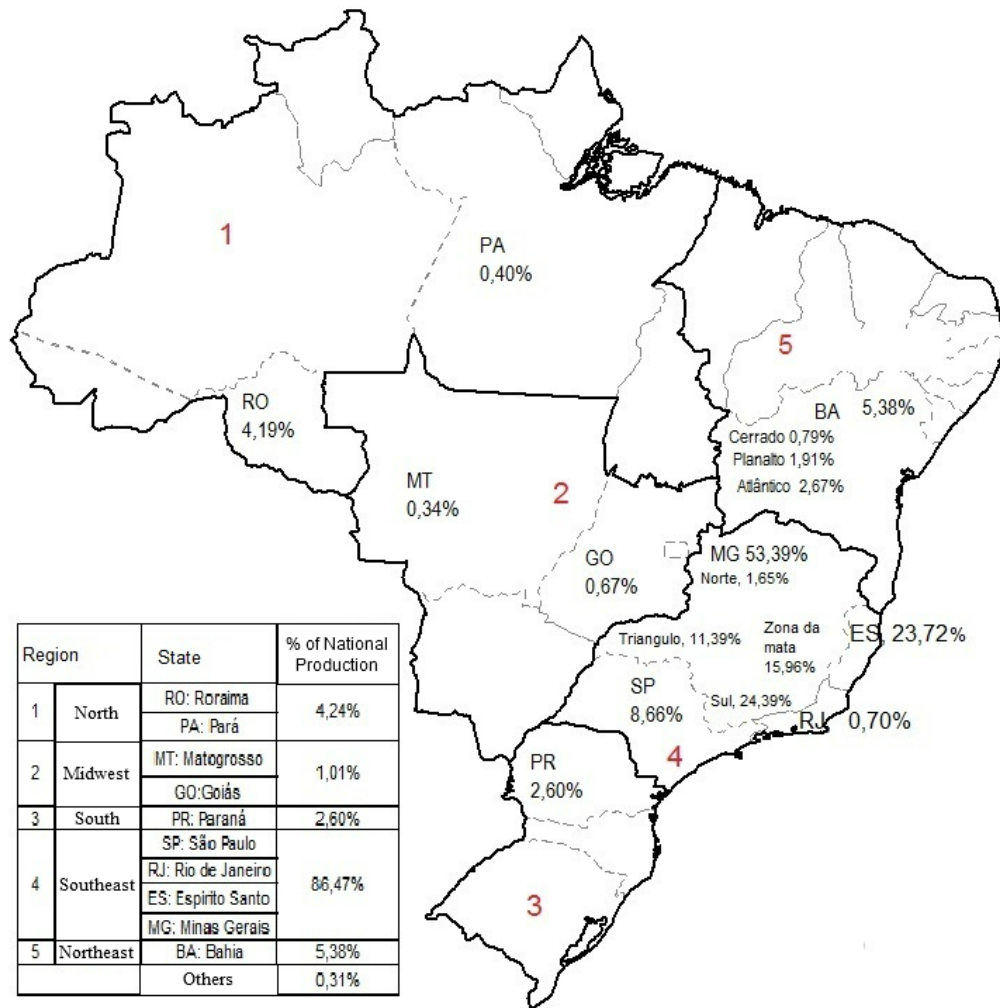


Figure 1 – Coffee production in the different Brazilian states and regions.
Source: (CONAB, 2015).

Colombia is internationally known as a producer of specialty and high value coffees. On the international market, Colombian coffee obtains prices, on average, 19% higher than those of Brazilian coffee, as illustrated in Figure 2.

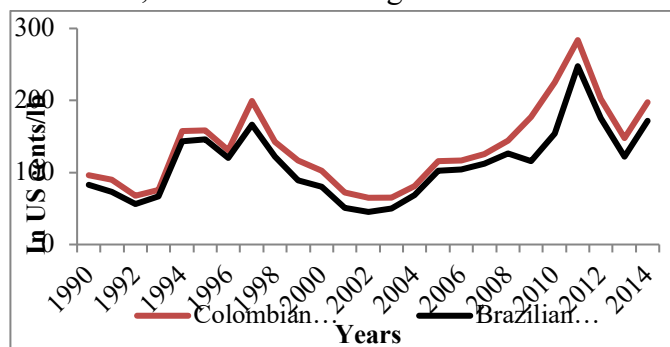


Figure 2 - Price difference between Colombian coffee and Brazilian coffee on the world market
Source: (OIC, 2014)

When there is a shortage of specialty coffee in the international market, such as that caused by the drought in major producing areas from 2008 to 2011, the price difference of Colombian coffee in relation to the Brazilian coffee reached 35%. This difference results from the marketing strategy adopted by Colombia in creating a reputation based on product characteristics that differentiate it from others (SAES; NAKAZONE, 2002).

Although Brazil has a comparative advantage in the production of “Santos Type” coffee, when it comes to “specialty coffees” there are features inherent to the Brazilian coffee production chain that limit its competitiveness in the international market. To overcome these weaknesses, the Brazilian government has implemented policies designed to align the coffee sector with the new global consumption patterns. The centerpiece of those policies is the creation and institutionalization of the “*Cafés do Brasil*” program, the purpose of which is to promote the brand “*Cafés do Brasil*” as a symbol of quality, flavor, diversity of origins and sustainability (MAPA, 2012; STRELETSKAYA et al., 2014).

The brand “*Cafés do Brasil*” was created in 1982 due to the decision by the Brazilian Coffee Institute (BCI) to sponsor the Brazilian National Football (CBF) in the soccer world championship held in Spain that year. With market deregulation and the abolition of the BCI in 1989, production intensified and the position of Brazil as a producer of “Santos type” coffee was reinforced, isolating Brazil from the specialty coffee market. Perceiving the lack of a body capable of coordinating and guiding market repositioning, in order to produce and market specialty coffees, various professional associations and government agencies came together to create the Coffee Development Policy Council (CDPC) to set guidelines for national coffee production. In 2000, the CDPC, coordinated by the Brazilian Coffee Industry Association (ABIC), instituted the program “*Cafés do Brasil*” in order to find ways to differentiate the roasted and ground coffee produced in Brazil (SAES; NAKAZONE, 2002). As part of this program, the National Weights and Measures Institute (INPI) laid down the guidelines and technical parameters to recognize the “*Cafés do Brasil*” brand as a representative brand of Brazilian coffees on the world market.

The program *Cafés do Brasil* seeks to integrate all the links, agents, and organizations in the coffee production chain around a common goal: to build the brand *Cafés do Brasil* and add value to Brazilian coffee on the international market. As Brazil is a country of continental dimensions and produces coffees in different regions, the brand *Cafés do Brasil* is a symbol of the diversity of flavors, qualities and farming methods in the various regions where coffee is grown, as shown in Figure 1.

The brand *Cafés do Brasil* integrates the marketing activities of the coffee clusters from different Brazilian regions, as illustrated in Figure 3.



Figure 3 – Integrating the brand *Cafés do Brasil*

This initiative brings with it the challenge of integrating all those involved in Brazilian coffee sector around a common goal: making the brand *Cafés do Brasil* the identity of a sustainable product whose quality is distinguished from that of the large-scale production of commodity coffee (Santos Type). To achieve that goal, the production chains should be organized and managed through efficient institutional coordination mechanisms capable of leading the entire coffee production system to overcome historical barriers that have limited the competitiveness of Brazilian coffees on the international specialty coffee market.

Implementing strategies requires institutional structures and mechanisms capable of coordinating integrated actions designed to facilitate cooperation between the various organizations and agents involved in the coffee production chain. Formal institutions and brand positioning are the mechanisms that guide the achievement of objectives. However, that implementation depends on the support and cooperation of individuals and organizations managed by individuals who often have different perceptions of their role and even of the goals to be achieved (NADVI, 2008; LUIS et al., 2006; MANTZAVINOS et al., 2004; CRESPO et al., 2014). The engagement and cooperation of the agents with this initiative vary according to their perception of what is most advantageous for them. Thus, the effectiveness of the *Cafés do Brasil* program depends on the perception and willingness of the stakeholders affected by the changes the program certainly demands. These institutional elements may prove to be factors that facilitate or impede the implementation of the *Cafés do Brasil* brand.

Thus, it seems relevant to investigate how the institutional framework that guides the agents was designed, how the structure and mechanisms for coordinating and adapting the agents involved in the *Cafés do Brasil* program for strategically positioning the Brazilian coffee on the international specialty coffee market were established and to assess to what extent the program has achieved its goals.

Following this introduction (section 1), the article presents the conceptual basis on institutional economics used to build the study's analytical framework (section 2), the methodological approaches adopted in the data collection and analysis (section 3), a discussion of the results (section 4) and concluding remarks including the managerial and policy implications (section 5).

II. Theoretical basis

An agro-industrial production chain is characterized by a sequence of linked vertically, interdependent operations intended to meet consumer needs for products originating from an agricultural commodity (BATALHA, 2007). These supply chains include agricultural input suppliers, farmers, supply logistics, agro-processing, distribution logistics, traders and marketing agents. To be effective, a production chain needs a governance and coordination structure that integrates the actors involved and directs its activities towards the achievement of chain's goals.

The governance structure is the framework of rules and institutional mechanisms used to coordinate the activities of collective actors around common goals (GEREFFI, 1999; HUMPHREY; SCHMITZ, 2001). Institutions are socially accepted norms that guide human actions and decisions and influence how economic activities are developed (COMMONS, 1931; SCOTT, 1987; HODGSON, 1997; VEBLEN, 1998). Douglas North, an exponent of the conceptual construction of the new institutionalist economy, sought to integrate shared beliefs, mental models, institutions and institutional development in studies of economic performance in society. In this institutionalist conceptual construction, the rules, both formal and informal, provide incentives and penalties that guide the behavior of individuals in society (NORTH, 1991; NORTH, 1992).

An institutional framework that favors cooperation encourages individuals to engage in complex activities with other individuals/groups, thus ensuring the social legitimacy of shared rules. As individuals interact collectively new perceptions are formed that shape new behaviors which in turn strengthen the socio-cultural process (HODGSON, 1998; HODGSON, 2009). Accordingly, the design and implementation of the institutional framework for a supply chain can motivate the involvement and commitment of the various actors in the chain to achieve its objectives.

As the demand for better quality products with sustainable attributes increases, so does the likelihood of failures in the production processes and in communication between actors in the chain. Coordination mechanisms can be used to guide production and communication, thus ensuring the organization and changes across the entire chain.

In the program *Cafés do Brasil*, the brand marketing activities are the institutional mechanisms designed and implemented to coordinate strategies in the coffee sector in order to align the actions of the various organizations and actors in the coffee chain with market needs. As a coordinating element, marketing's main function is to contribute to reducing uncertainties of the agents/actors in relation to the physical and market attributes which define the identity of *Cafés do Brasil* and so provide brand credibility (AZEVEDO, 2000; AAKER; JOACHIMSTHALER, 2007; KELLER, 2003; LASSOUED; HOBBS, 2015) as illustrated in Figure 4.

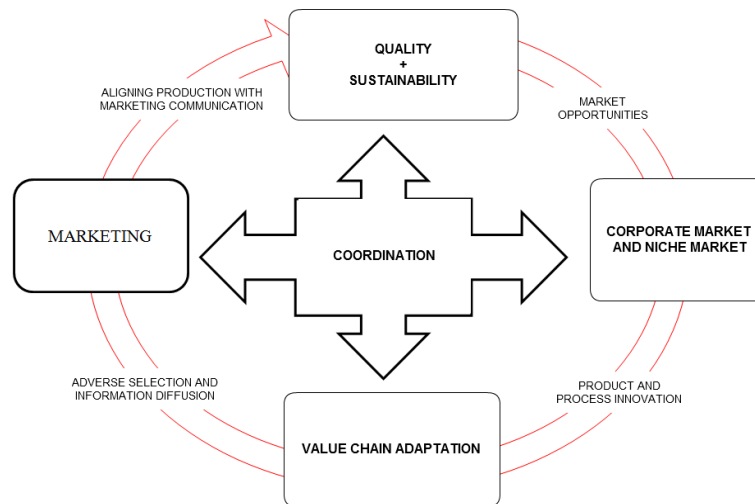


Figure 4 – Marketing, communication and coordination of the brand *Cafés do Brasil*

The elements and concepts presented in Figure 4 are the framework that will guide the collection and analysis of data related to design and implementation of the *Cafés do Brasil* program, which will then be used to investigate the extent to which the program has achieved its objectives.

III. Method and procedures

By conducting semi-structured interviews with 17 professionals, representing different links in the production and market chain from organizations participating in the *Cafés do Brasil* program, it was possible to identify the role, the perception and the level of participation and influence of different actors in the implementation of the program. Among the interviewees are representatives of Farmers’ Associations from the coffee growing regions, *Associação de Cafés Especiais do Norte Pioneiro do Paraná* (ACENPP), the Coffee Research Consortium (EPAMIG), the Micro and Small Business Support Service (Sebrae-MG), the Ministry of Agriculture, Livestock and Supply (MAPA), the Brazilian Export and Investment Promotion Agency (APEX), the Ministry of Agrarian Development (MDA), the Brazilian Coffee Industry Association (ABIC), the certification agencies RAINFOREST, UTZ and IMAFLORA and the media that disseminate information to the consumers (*Editora Café*), as shown below in Table 1.

Table 1 – Interviewed organizations and actors

Organization	Link represented in the chain	Function
ABACAFÉ	Farmers	Manager
ABIC	Industry	Director
ACENPP	Farmers	President
APEX	State Company/ Promotion/ Exporters	Project managers
Cerrado Mineiro	Farmers	Director

Consórcio Pesquisa Café/EPAMIG	Training and Technology transfer	Researchers
Editora Café	Communication	Content director
IMAFLOA	Accreditation agency	Technical group
MDA	State Company	Ad Hoc Consultant
MAPA	State Company	Ad Hoc Consultant
SEBRAE-MG	Training and Marketing	Technical analysts
UTZ Certified	Accreditation agency	Brazilian representative
Independent professionals	Third sector/ distributor	Roasting specialist

In addition, secondary data were collected from organizations that support the *Cafés do Brasil* program, such as the Coffee Agribusiness National Development Plan and Strategic Plan for the Development of the Coffee Sector. Those respondents provided documents they considered relevant to provide an updated perspective of the Brazilian coffee sector.

Content analysis, as proposed by Bardin (2011), was used in analysis of the data obtained from the interviews. The interviews were recorded and transcribed for the content analysis and to identify the roles of different actors and organizations in the coordinating structure of the *Cafés do Brasil* program.

IV. Results

This section starts with a description of the creation of the *Cafés do Brasil* program and of the organizations and actors that constitute it. Afterwards, the program’s coordination structure and the related structural and institutional obstacles are depicted. Finally, evidence is presented to show how the *Cafés do Brasil* program has deviated from its original aims.

A. The creation and structuring of the *Cafés do Brasil* program

Brazil’s productive and technological capabilities are the base on which the country can increase its share of the international market. Nevertheless, there is a need to increase productivity, add value and effectively communicate what makes Brazil’s coffee special. Overcoming these barriers to the international expansion of Brazilian coffee requires investments aimed at adapting the coffee chain to the increasingly complex international environment (MAPA, 2008; MAPA, 2012). In achieving these goals, investment in innovations and public policies are considered essential to overcome the obstacles limiting the competitiveness of the chain. These challenges require joint action by the private sector and public authorities involved in the production and marketing of coffee.

According to the government officials interviewed in this study, public policies and strategies are aimed at finding new ways to enhance the coffee sector as an integrated chain. The initial actions focused on stimulating the collective organization of the actors involved. Collective organization favors economies of scale, scope and technological

diffusion. Horizontally integrating the actors in the chain is intended to create a synergistic effect throughout the coffee value chain. This alignment represents an attempt to integrate the links, thus facilitating adaptation in the chain and a more effective presence in the markets for raw, roasted, ground and soluble coffee. These actions are intended to expand the presence of Brazilian specialty coffee in the international market and meet the growing demand in the domestic market (MAPA, 2012; MAPA, 2008).

In response to these demands, the government created the Integrated Coffee Production Program (ICP) to introduce good agricultural practices into the production system. This initiative is also intended to encourage certification, especially Indication of Origin (IO), seen as the key to enhancing the productive diversity found in the producing regions. Stimulating certification is a way to guarantee the identity and traceability in order to add value, ensure improved quality, market access and transmit compliance to the required standards, which are essential for the creation of a reputation along the value chain. To this end, marketing constitutes a priority for the dissemination of information, improvement of image and consistency of the product promotion in both the domestic and international markets (MAPA, 2002; MAPA, 2008).

The Brazilian government created the brand and marketing program *Cafés do Brasil* as a means of coordinating and integrating the marketing efforts of the Brazilian coffee system. The initial goal of the program was to integrate the previously isolated marketing actions and focus on revitalizing the concept of “Brazil, the coffee country” in order to broaden the country’s leadership in the international market (MAPA, 2002; MAPA, 2012).

The *Cafés do Brasil* program established long-term objectives in which the participation of the Brazilian national football team (CBF) in the 1982 World Cup in Spain, and subsequent events was their internationally recognized means of diffusion. The sporting events hosted by Brazil, the Football World Cup in 2014 and Summer Olympic Games in 2016, have been and will be opportunities to position the brand *Cafés do Brasil* as a symbol of the country, exploring the diversity of origins, flavors, quality and sustainability.

The effectiveness of these initiatives is related to improvements in the coordination of actions proposed by the managers of the *Cafés do Brasil* program. These agents act in a coordinated manner to transform the objectives proposed in the plans into actions and to promote interaction between the different links in the production chain within the coffee producing regions. Each initiative and plan has a strategic coordinator responsible for leveraging the adaptive potential of the agro-industrial system of Brazilian coffee to the goals set for their inclusion in national and international markets.

The Deliberative Council of Coffee Policy (CDPC) was created to oversee the production, marketing and export of coffee, hence all proposals for initiatives and strategic plans related to the *Cafés do Brasil* program must be examined and deliberated by this body (BRASIL, 2003; BRASIL, 2014). The Presidency of the CDPC is exercised by the Ministry of Agriculture (MAPA), which is responsible for coordinating the coffee policies, supervising, organizing and integrating different institutional models to leverage the defense, promotion, management and marketing of coffee. Thus, the MAPA is responsible for coordinating and integrating the agents and organizations responsible for

carrying out the process of adapting the coffee agribusiness system to the new competitive reality and successfully positioning the brand *Cafés do Brasil* on the international market.

The pursuit of sustainable production certification increases the demands on farmers. Collective organization has favored the creation of the governance models necessary to manage certification, as is the case of the Indication of Origin (IO). The organizations involved in the *Cafés do Brasil* program help farmers organize collectively and structure governance in order to receive the certification that guarantees good agricultural practices on their properties, a prerequisite for entry into the market. The purpose of certification is to ensure coffee production practices meet the sustainable production standards, which are designed to ensure the quality of the national product so that it is better able to access the market in a coordinated manner.

With regard to the coffee processing phase, with the extinction of the Brazilian Coffee Institute (BCI) in the late 1980s, the Brazilian Coffee Industry Association (ABIC) took on the job of promoting and professionalizing the industry acting within the domestic market. Beside its political nature, this organization was created to combat the adulteration of coffee, a recurrent practice intended to lower costs and obtain higher profit margins, which limited the opportunity to differentiate various types of coffees (ABIC, 2015a).

To coordinate its actions ABIC introduced a self-regulatory program, known as the “ABIC Purity Seal” to inspect and certify the quality of the coffee consumed in the domestic market. The program certifies the product and the production process. To ensure the program’s credibility ABIC maintains an inspection program among the companies competing in the market to make sure they comply with good production practices, raw material purchasing criteria and aspects of cleanliness and hygiene, so guaranteeing the consistency of the product. The ABIC has created other programs to approximate the links and strengthen the process of creating value in the coffee chain, as shown in Table 2.

Table 2: Programs created and supported by the ABIC

Program	Objective	Focus
ABIC Purity Seal	Check coffee purity and improve quality.	Certify roasted and ground coffees.
Coffee Quality Program	Guarantee the quality levels of coffee, add value and widen coffee consumption by continually improving the quality of coffees.	Traditional Superior and Gourmet Coffees.
Brazilian Sustainable Coffee Program	Introduce the new global tendency ‘consumer awareness’ to the Brazilian market.	Certify coffee from the farm to the processing plant.
Minimum Level Quality	Increase awareness among public bodies regarding Law No 8.666, from 21/06/1993 that determines the lowest	Assure the acquisition of better quality coffee in public supply contracts.

	price criteria in public contracts, which in fact has led to the deterioration of quality.	
Coffee Quality Circle	Strengthen the sector and improve the quality standard of coffee, differentiating the best establishments and promoting high quality coffee, to raise domestic consumption.	Certify establishments as Coffee Houses, Coffee Bars, Restaurants, Hotels, Bakeries and other establishments.
Project 'Coffee in the School Lunch, Health in the School'.	Increase awareness of the benefits of coffee for intellectual activity, school learning and health in general. ;	Institutional activities that develop healthy eating habits, stimulating the daily consumption of coffee.

Source: (ABIC, 2015b)

The innovations arising out of ABIC’s coffee quality and certification programs have helped member companies place differentiated products, such as Traditional, Superior and Gourmet coffees, on the market. The introduction of the Coffee Purity Seal has driven the growth of domestic consumption by improving product quality and transmitting a sense of reliability. The results of these actions can be seen in the growth rates and the expectation of reaching about 27 million bags in domestic consumption by 2020, as shown in Figure 5.

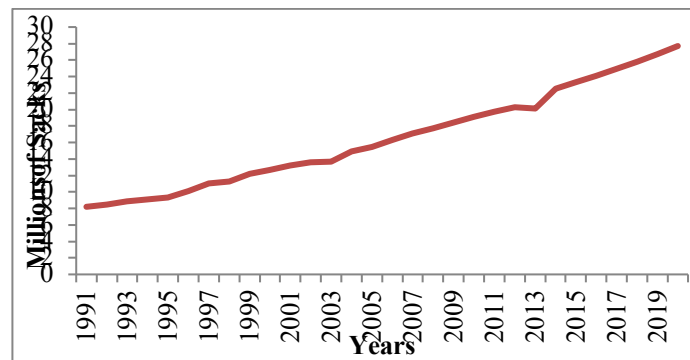


Figure 5 - Historical and future consumption perspectives in the Brazilian coffee market

Source: (ABIC, 2014; MAPA, 2012)

Regarding the participation in the international coffee market, the marketing activities are coordinated by the Federal Government’s APEX (Agency for the Promotion of Exports). The organization develops macro-projects together with private entities and guides the actions of farmers, processing plants and exporters in the promotion and participation in fairs, technical missions, workshops, quality contests and other international events where national coffees can be tasted by opinion formers.

Among the various organizations participating in the marketing efforts to promote Brazilian coffee, the Brazilian Specialty Coffee Association (ABCE in Portuguese) has

contributed towards promotional activities in the international market. Having coffee growers from various producing regions among its members, this organization highlights the diversity of Brazilian coffees at events related to the international coffee market. The ABCE seeks to direct the action of the different agents involved in the production and marketing of coffee in order to strategically align the chain in order to add value, develop marketing activities and enhance market performance. Table 3 shows the initiatives developed by the different agents involved in the ABCE coordination and action structure.

Table 3 – Activities of the agents in the ABCE coordination and action structure.

Promoting Agent	Initiative / Action	Aim
COFFEE RESEARCH CONSORTIUM	Training, technical assistance, technology transfer, production adaptation	Production and management efficiency
MAPA/ INMETRO	Integrated Production of Coffee	Ensure practices coherent with sustainable production and food security standards
MAPA/ INPI	Geographical Indications	Promote regions, highlight the quality and ensure transparency and ethical standards in the national production.
IMAFLOA, UTZ Certified	Private Certifications	Promote the professionalization of the farmers and consumer awareness, in an effort to strengthen the two points.
SEBRAE-MG	Collective organization	Strategic/mangerial organizer, governance structure, monitoring areas suitable to receive IOs, management structuring.
MAPA	Mediating role, offering policies.	Strengthen and make the service structures of the public/private partnerships more efficient
APEX	Promotion and Investment	Approximate purchasers and help the national product take shape in the markets
ABIC	Promotion and professionalization of the industry	Negotiate sectorial policies with the government, combat the adulteration of coffees, self-regulation, stimulate innovation and consumer awareness.

Source: Research findings

The marketing program provides the various organizations and agents with institutional mechanisms to direct their efforts to position the brand *Cafés do Brasil* as a symbol of the diversity of flavors, quality and production methods originating in several Brazilian coffee producing regions.

In creating the *Cafés do Brasil* program, the Ministry of Agriculture (MAPA) sought to integrate all the links, agents and organizations involved in the growing, processing and sale of coffee. It established the program’s guidelines by assigning agents duties compatible with their skills to ensure consistency in the adaptation of the chain and positioning of the brand *Cafés do Brasil* as a promise of added value, as illustrated in Figure 6.

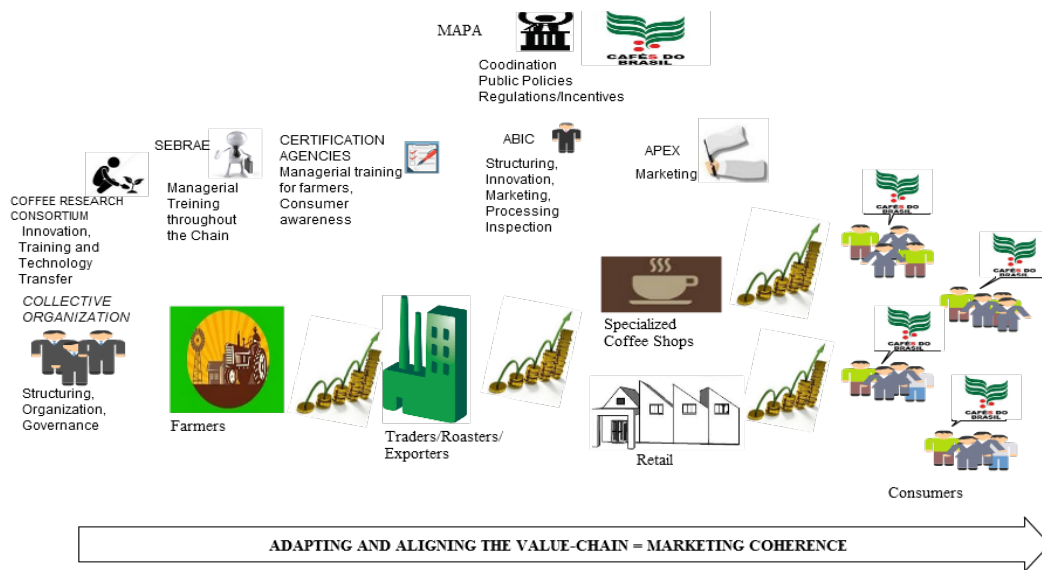


Figure 6 – The role of the agents in the coordination and promotion of *Cafés do Brasil*
 Source: Adapted from (GUYOT et al. 2014, p. 17)

These actions have led to the opening of new markets and contributed to the growth in revenues from the export of domestic products, especially from specialty coffees, as shown in Table 4.

Table 4 – Specialty coffees gain space among Brazilian exports

Year	Coffee exports (Millions /US\$)	Export of specialty coffee (Millions /US\$)	Share in the total volume of exports (%)	Share in the total value of exports (%)	Price premium over the natural coffees (%)
2014	6041.1	1879.9	22	29	41
2013	4582.2	1035.9	16	20	34

201	5721.8	1357.5	17	21	30
2					

Source: (MDIC, 2015; CECAFÉ, 2015)

Here, it is fitting to remark on how *Cafés do Brasil* program has contributed to the growth in exports of specialty coffees.

Producing quality coffee is a complex and expensive process. A single farmer produces little volume, of little consequence to the big coffee brands (Nespresso, Kraft Foods, Mondelez, Di Bella, Starbucks, Illy Café ...). These corporate buyers require large volumes. The organizations and regional actors in the *Cafés do Brasil* program have gathered farmers around a common goal and offered all infrastructure services to help farmers produce quality coffee. This collective organization facilitates economies of scale ensuring a constant supply of specialty coffees.

In the international market, the focus is the corporate market in which the brands are the differential element. These corporate buyers seek a standardized supply for them to process, choose the segments of the market and place their own brand. For example, the farmers in the *Norte Pioneiro do Paraná* (Pioneer North of Paraná) are supplying the Sustainable Harvest Specialty Coffee (SHSC), but the SHSC has no brand called specialty coffee “PIONEER OF NORTHERN PARANÁ”. The same phenomenon occurs with other corporate buyers (Nespresso, Kraft Foods, Mondelez, Di Bella, Starbucks, Illy Café ...). Acting alone, the regional brands in the *Cafés do Brasil* program do not have sufficient production volume and marketing capacity to position themselves in the international market as exporters of high quality coffee.

Thus, the increased volume and value of exported specialty coffees can be largely explained by the work of the organizations and regional actors in the *Cafés do Brasil* program in improving the quality of the coffees and building credibility by meeting contracts established with international corporate buyers. Therefore, that increase is more closely linked to regional efforts to deliver the goods and less so with recognition of the brand *Cafés do Brasil* as a symbol of quality or the international recognition of regional brands.

In recent years, other coffee producing countries have faced difficulty meeting their contracts with big corporate buyers due to climate problems (2009, 2010 and 2011 harvests). The Brazilian coffee producing regions have been able to fulfill their contracts and so gained the confidence to foreign buyers, whether those who require high quality or niche products, or the corporate market that requires only reasonable quality but large quantity (Santos Type).

B. Coordination of the *Cafés do Brasil* Program

Considering the territorial dimensions and diversity of the coffee producing regions in Brazil (Map 1), the focus of the *Cafés do Brasil* program is, according to the guidelines of its constitution, to develop and value the particularities of the producing regions and the formation of regional production clusters. To implement this strategy, the Government, through the Ministry of Agriculture (MAPA), transfers the responsibility for structuring and coordinating the program to regional and local organizations and

agents. By decentralizing these actions, the Government delegates those organizations and regional actors the autonomy in the design and implementation of coordinating structures tailored to regional situations and thus secures effective and collective acceptance of the *Cafés do Brasil* program.

As indicated by the officials interviewed in this study (section 3), decentralizing the coordination to the regional and collective levels has led agents to defend local interests and to the replacement of the central government agent by local agents as drivers of the program's actions. The regional organizations that have emerged over time have contributed to the management of production processes in an objective and organized manner, helping to increase the profitability of investments made by agents in the coffee chain.

The decentralization of the *Cafés do Brasil* program has led to the creation and promotion of regional collective organizations such as the *Federação dos Cafeicultores do Cerrado Mineiro*, *Associação dos Produtores de Café da Mantiqueira de Minas*, *Conselho das Entidades do Café das Matas de Minas*, *Alto Mogiana Specialty coffee*, *Associação de Cafés Especiais do Norte Pioneiro do Paraná*, *Associação dos Cafeicultores do Oeste da Bahia*, *Centro de Desenvolvimento Tecnológico do Café* and *Cooperativa de Produtores Rurais Organizados para Ajuda Mútua*. These organizations have supported regional clusters of coffee producers to position their brands on the domestic market, as illustrated in Figure 7.

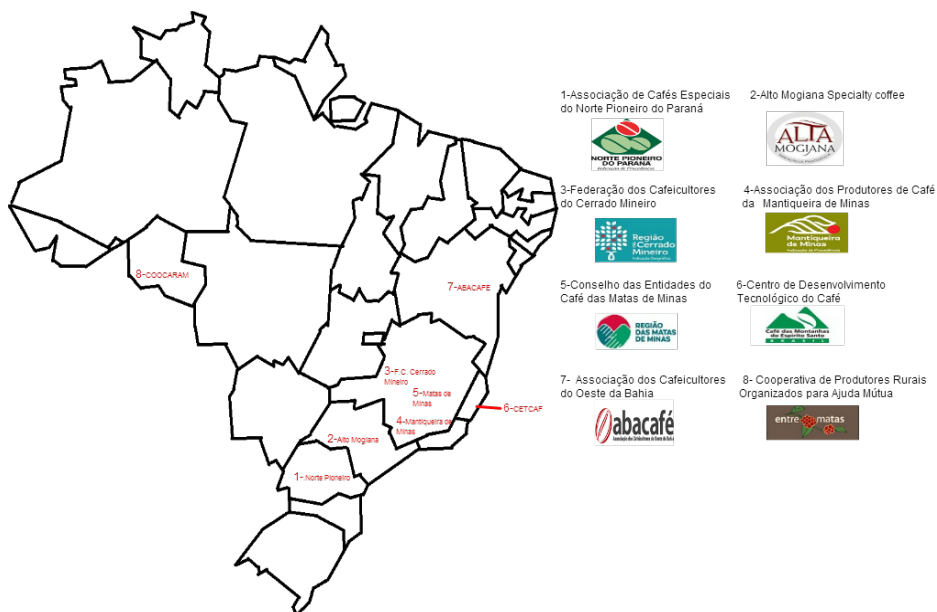


Figure 7 – Organizations and regional collective entities and their brands
Source: designed by the authors

Local collective organizations end up offering service infrastructure and institutional support for the protection of local interests and convey to the market the benefits and the qualities that differentiate the local coffees, thus strengthening communication with the domestic market. Each region, in designing and implementing its strategies, takes into account the set of internal factors that distinguish it on the market supported by the

Indication of Origin (IO) certifications that strengthen its position, especially on the domestic market.

C. Institutional and structural failures and the deviation from the purpose of the *Cafés do Brasil* program

As shown in the above section, in the design and implementation of the *Cafés do Brasil* program, the government encouraged the formation of regional clusters to explore the characteristics that differentiate the coffee producing regions. By decentralizing and delegating the coordination of the program to regional organizations and actors, the federal government paved the way for the individual regional goals to override the objective of integrating the different specialty coffees. Consequently, this situation has reduced the capacity to enforce the program’s institutional framework, which is intended to project the *Cafés do Brasil* brand as a mechanism for integrating the different specialty coffees and thus boost its position on the international market.

The regional differences and geographical dimensions of Brazil (Figure 1) hinder integrated action between the different coffee producing regions. As private regional organizations and actors plan and coordinate the actions, those actions focus on the region, resulting in barriers to nationally integrated operations. Regional organizations have become interest groups, with each acting to achieve its own regional goals. The efforts and initiatives are now directed to the promotion of the regional coffees, mainly in the domestic market.

Consequently, by transferring power to the regions, the government abdicated the role of coordinator of the *Cafés do Brasil* marketing program. The result is a gap, not only geographically, but in the whole system, revealing a situation that is inconsistent with the program’s original planned goals. In the view of the interviewed government official, the lack of a central coordinator leads the actors of the coordinating structure to act individually and not in accordance with the integrative objectives of the *Cafés do Brasil* program.

The regional organizations strive to sell much more than coffees, according to the representatives from the organizations participating in the study. They seek to tell the farmers’ stories and cultures, and communicate to the consumer the regional features incorporated into the coffee and create a continuity in the coffee supply from that region. This defense of the region coupled with the lack of a central coordinator limit the strategic integration between the major regional production clusters that is necessary to consolidate and position the national brand *Cafés do Brasil* on the international market.

Thus, the individual and regional strategies behind the brands of the production clusters have strengthened regional positioning in relation to national and international positioning and led to the widespread introduction of new coffee brands in the domestic market. The brand *Cafés do Brasil*, which should act as an ‘umbrella’ brand for the whole system and present a unified value positioning, has been overlooked due to the defense of the regional brands. Thus, it is clear that the failure to make the brand *Cafés do Brasil* the effective symbol of Brazilian coffee is largely due to the institutional ineffectiveness of the government in coordinating the program. The absence of the government as coordinator demonstrates the inability to enforce the proposed brand *Cafés do Brasil*,

causing the agents to create their own rules based on self-interest. Effectively, it can be seen that the regional efficiency and the absence of a joint strategic coordination have led to the dislocation of the proposal to integrate all the regional brands around a collective brand. The emphasis and drive given to the defense and promotion of local brands highlights the deviation from the objective of positioning the brand *Cafés do Brasil* as a symbol of fine Brazilian coffees, as shown in Figure 8.

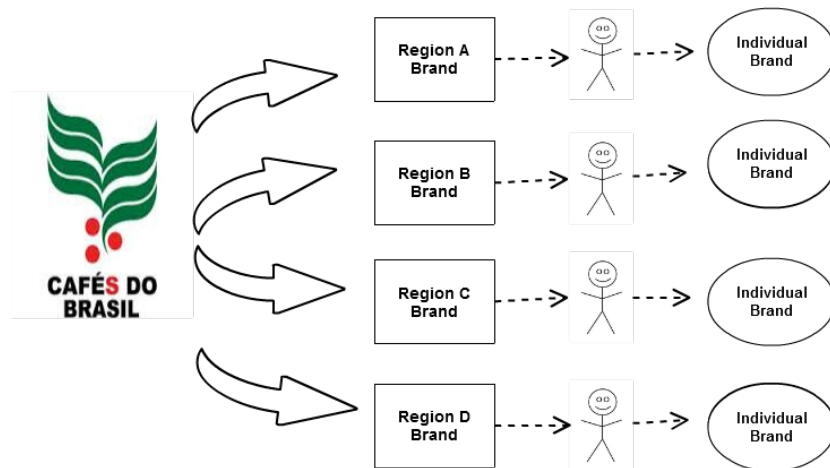


Figure 8 – The disintegration of the brand *Cafés do Brasil* in favor of regional brands

V. Concluding remarks and managerial and policy implications

The changes brought about by coffee drinkers who increasingly value aspects linked to quality and sustainability, have led national authorities to design and implement programs that provide harmonious development along the supply chain and add value to the final product. Brazil, as the largest producer and exporter of coffee, is seeking to position the brand *Cafés do Brasil* on the international market as a symbol of the quality and sustainability of Brazilian coffee.

The results show that the agents see the proposal behind the *Cafés do Brasil* program as being important in promoting Brazilian coffee. The program has led to adaptation within the production chain, expanded productivity and improved quality of coffee production in Brazil. Nevertheless, elements linked directly to the institutional framework are perceived as compromising the program's effectiveness.

By decentralizing the coordination and control activities to regional agents, the Federal Government is failing to coordinate the program. The agents perceive the Federal Government as not being committed to the proposal. On the other hand, the regional organizations participating in the program, by bringing together the scattered agents, contribute towards collective learning and the sharing of a culture that facilitates the interpretation and shared problem solving. The lack of alignment between the different agents, that is the farmers, the processors, the regional organizations, and the Federal Government has led farmers and regional organizations to focus on the regional market. Thus, the brand *Cafés do Brasil* has become more relevant in terms of the competition for the domestic market than in the insertion of Brazilian coffee in the international market for specialty coffees. The proliferation of regional brands on the domestic market highlights the deviation from the program's objective to position the brand *Cafés do*

Brasil as a symbol of fine coffees from Brazil on the international market. Institutional inefficiency and local coordination are leading to under-exploitation of the brand *Cafés do Brasil*.

The findings highlight the difficulties of designing and implementing a single marketing strategy for the Brazilian coffee sector due to the different interests among the agents. This scenario seems to open the way for setting up a multi-brand strategy, forming an identity built around the ‘Made in Brazil’ theme, but based on the regional initiatives of Brazilian coffee growers.

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