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Building Competitive Advantages to the Livestock farming in Rio Grande do Sul: the case of the Indication of Origin to the "Meat of the *Gaúcho* Pampas".

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Abstract

This study addresses how Indication of Origin within a Local Agri-food System (LAS) in beef was used aiming at creating competitive advantages. A beef supply chain characteristic of the *gaúcho* livestock farming system served as an example for farmers to be better equipped in order to compete in an intense agribusiness environment as a result of globalisation process. This LAS in the southern most state in Brazil allowed for the entitlement to Indication of Origin in beef 'Meat of the Gaúcho Pampas'. This is perceived as a great opportunity as it also allows for market penetration strategies at both domestic and international level. The concept of LAS grows in importance because it is strictly related to strategic resources encompassing typical products, differentiated techniques, territory, natural resources, collective actions and organization of the productive activities. In the case of the beef Indication of Origin problems of coordination have been addressed. The results of this study show that LAS is a viable alternative for the insertion of the *gaúcho* livestock farming system in a competitive environment.

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1. INTRODUCTION AND RESEARCH PROBLEM

Globalization imposes increasingly challenges for companies because of the requirement for new processes, new technologies and management practices. Nevertheless the process allows for inter-organizational relationships that are established by companies seeking to focus on their core abilities. As consequence, the transfer of non-core activities is passed on to others (Sterns & Peterson, 2001). The changes in the world competitive setting further complicate the conditions of survival of companies (Forsman & Paananen, 2002), forcing them to establish co-operative relations aiming to obtain the necessary factors of production for their maintenance and survival in the markets. As a result, a change on the focus regarding competitiveness is perceived, where new forms of competition emerge in detriment of others. The isolated vision of competitive productive unit loses space for a more comprehensive vision of groups of competitive companies (Hansen, 2004; Pedrozo & Hansen, 2001; Fleury & Fleury, 2000; Casaroto Filho & Pires, 1998; Lambert, 1998; Coutinho & Ferraz, 1995; Porter, 1990). Hence, companies establish inter-relationships in the most diverse forms. These can take form as formal or informal, but the common aim is to attempt facing shared problems and/or jointly exploring the possibilities available, consequently, generating a collective efficiency (Lins, 2004). This means the companies are continuously seeking to create partnerships in the search of competitive advantages, where an individual unit would hardly achieve (Altenburg & Meyer-Stamer, 1999).

In the agricultural food sector, Cozzarin & Barry (1998) emphasize the need for cooperation to face the new challenges as a result of global competition. Such a phenomenon is typical of the mid 1980s until the mid 1990s (Reardon et al, 2001). Whilst large organizations have addressed these challenges early enough, it is known that in the agricultural sector this was not the case. Nonetheless, some very large agribusiness companies have imposed a model of internationalization which is, on its turn, based in new forms of dependence (Requier-Desjardins 1999). Following this, Linck & Schiavo (2003) and Requier-Desjardins (1999) emphasize that the concentration of the productive resources and the domain of the agribusiness activities has allowed for an extensive diffusion of the production-oriented model. According to these authors, such a cooperative behaviour has been efficient in the diffusion of a standard of dependence of the international markets. Thus, multinational enterprises force a model of use of technologic and standards of consumption that when diffused requires a strong demand in terms of concentration and accessibility of resources. Hence, the predominant model of hegemonic competitiveness in the agribusiness favour agricultural activities which take into account lands of high agricultural potential. Moreover, the unification of the markets also tends to impose a standardization of products as well as economies of scale. In addition, such a system demands intensive capital requirement to support the production of a predominantly intensive cultivation system.

Conversely, the globalization process has also resulted in harmful transformations. Many producers have left the farming activity because of their inability to fulfil large scale demands of very standardized products and process. As consequence, the increased social costs and the destruction of the natural resources are also part of this setting (Lins, 2004; Linck & Schiavo, 2003; Borray, 2000;

Dominguez, 2003; Breda & Santos, 2000). Yet, Forsman & Paananen (2002), point out to the continuously increased interest by the consumers on quality, safety and sustainability issues. For a family-type of agriculture, attributes such as denomination of origin and more transparency in the production process creates opportunities for the insertion in a competitive market environment. This is made possible through product differentiation resulting from local collective actions. The creation of geographical marks work as forms of exploring sets of local values and customs that could provide the insertion of family-type agriculture in an environment of increased competitiveness. It is believed that this can be a viable form of promotion of the development in rural areas by allowing for the access to globalization and modernization process of the agriculture (Lyns, 2004; Giordano, 2003).

Regarding the productive chain of the beef, object of this study, such a chain is enduring constant difficulties resulting of the absence of agricultural policies that could better guide the sector. Nevertheless, such a process has limitations. Questions are raised regarding the productive system in terms of its sustainability, efficiency and performance. Therefore, determining the needs help to define the actions that should be taken. By doing so, it is expected the present situation in which the meat production sector has found itself be reverted. For many years such a sector has lost market share for other agrifood chains (Malafaia, Talamini & Blume, 2005).

In the State of Rio Grande do Sul, the fourth in beef production in Brazil (Fürstenau, 2004), the consequences of the issues previously discussed are mainly perceived as being negative. This is also to do with increased dependence on non-agricultural earnings (specially resulting from letting of land and drawing a retirement pension fund). Moreover, the beef systems is usually represented by a relative low value of land, a low fixed capital, low labour utilization and a low and negative efficiency indicator system (SEBRAE/FARSUL/SENAR, 2005). It is also perceived that the process of globalization has had a huge impact in the livestock farming of Rio Grande do Sul. This is mainly attributed to the competition with other member countries part of the South Cone Common Market (MERCOSUL). In addition the state of Rio Grande do Sul is not competitive enough when compared to other areas in Brazil where cattle raising is more intensive such as the case of the states of the centre-west region. However, it is also true the great competitive potential power in that state that derives from natural strategic resources. Nevertheless, these resources need to be exploited in a more coordinated way so that sustainable competitive advantages can be achieved. These problems will serve as the basis for the discussion in this paper.

This study will discuss the feasibility of the *gaúcho* livestock farming system through a Local Agrifood Systems framework. According to Lyns, (2004) and Borray, (2002), the conceptualization and analysis provided by Local Agrifood Systems (LAS) provide a response to the resulting problems of globalization. The theory of the Resource-Based View (RBV) provides a theoretical foundation to support this view. According to Barney (1991) and Peteraf (1993), the firm can be seen as a collection of resources, whose efficiency depends on the strategic vision of its agents. If these resources are heterogeneous and can add effective value to the products or services, they can be utilized such as sources of superior competitive advantage for the economic agents. Following this a brief case study of the LAS Pampa meat serves as evidence of the contribution of the insertion of the *gaúcho* livestock farming

in such a competitive environment. The benefits generated by the efficiency in the management of the available resources in the LAS. And, finally, the last part presents the final considerations of the study.

2. LOCAL AGRIFOOD SYSTEMS (LAS)

In the light of geographical clusters partner-production companies operating within supply chain under collectively configurations represent better power positions for providing competitive advantages. Taking the viewpoint. Linck & Schiavo (2003) and Schimitz & Nadvi (1999) focus on geographical clustering of companies that are linked to one productive chain and aim at achieving collective efficiency. To counterbalance the undesirable results of globalization and modernization of the agriculture in the rural regions, especially in Europe in recent years, a change in the logic of the production-oriented type agriculture towards a multi-functional agriculture is taking place. Such a change in logic is based in the existence of a diversified demand; the opportunities connected to the transformations of the functions of the rural areas (agriculture of service i.e. leisure countryside stewardship), of the relations with the environment (sustained agriculture) and of national and regional objectives of development (Borray, 2002).

Hence the importance of the concept of territory is highlighted where those partners involved, environmental, cultural, historical, political, and economic aspects are important elements for the development of competitive advantages. In such a territory, actors are inclined to partake in the collective action through the sharing of problems, visions, knowledge and opportunities (Lins, 2004; Córdova, 2003). A systemic approach for the process of productive transformations in the farming sector is important where the territory assumes a singular relevance as instrument of analysis (Dominguez, 2003).

The role of the geographical approach, linked to an organizational and social context has been highlighted since the end of the 1970s by economists aiming at understanding the dynamic powers behind the economic development (Requier-Desjardins, 1999). According to Velarde et al. (2002), taking the local development perspective, the territory can be approached under three complementary dimensions: (1) as physical space, (2) as a place of articulation of actors, and (3) as a cultural and historical context. Considering the territory as a physical dimension, we are spatially delimiting a boundary where development policies will be established. Considering the territory as a setting, where diverse actors interact in an articulated manner, is about giving emphasis on the dynamics of a relational reality. Since such a reality is built over a period of time, the agents end up interacting and agreeing to some logic of production. Finally, the collective construction of a space defines habits, practices, routines and accumulated experience that are expressed through differentiated goods.

For Schimitz & Nadvi (1999), the geographical concentration helps new achievements. However, it is also necessary coordination for labour training and qualification, division of the work, product quality control, and standardization of production to support the formation of efficient units inside an arrangement. The standardization of relationships on the supply side acts as a facilitator in solving of common problems within a collective action arrangement. These can be directly

related to institutions of support and, indirectly, to local governments, thus developing a relationship of trust amongst the members of the arrangement.

In the vision of Lins (2004), the concept of territory, means, for example, to put in first place the territoriality, perceived such as a set of specific assets, whose characteristics that can be seldom met in others places. Specific assets are those essential productive resources available in the territory. The assets are often characterized through the tacit knowledge diffused in the local arrangement that take into account the partner-cultural identity of the present institutions.

In case of agrifood sector it is important that natural resources aiming at a sustainable production system are used. Thus, some specific assets relating to the production of food provide a particular relationship that enables a closer interface with consumers. Hence, such a relationship in the agrifood sector becomes more important than in others sectors as the consumers' role involves evaluation of product quality. The cognitive capacities of the consumers allow them to capture the characteristics of the products bought. Therefore, connecting the original characteristics of the environment with that of the cultural identity helps is vital. The sum of the relationships established within a chain amongst producers, processors, distributors and consumers that enable the social construction of quality can be also considered a specific territorial asset. This is because the 'conventions of quality' are originally connected to the territory of production (Requier-Desjardins, 2002). Moreover, following a systemic vision, a concept has been developed linking agricultural activities of particular territories to the environment, the social organization of rural communities, food quality etc. The interest in investigating the relationships between the development of local agrifood chains and the territorial dynamics gave amplitude to the concept of Local Agri-food Systems (LAS). LAS is directly related to the system of local food production, where the territory plays an important social and historical role (Requier-Desjardins, 1999; Boucher, Sautier, Bridier, Muchnik and Requier-Desjardins, 2000).

According to Requier-Desjardins (2002), LAS are local concentrations of small companies of agrifood transformation that present the following characteristics:

- a) are frequently oriented for the output of products whose quality is linked originally to the territory;
- b) are based in a specific activity using common resources at disposal of the actors of these systems;
- c) frequently carry out a collective production of public and private goods;
- d) can be replicated at the same time, in diverse countries.

For CIRAD (2005), LAS start from the specificity of the localities and its interactions with the world. They are defined as an organization of producers of goods and services (units of agricultural production, agrifood companies such as traders, service, gastronomic etc) linked by these characteristics and operating in a specific territory.

According to Lyns (2004), the space of the LAS did not possess a merely geographical content, but, it is a space built by collective actions, marked by regular and cultural exchanges. In a LAS it ought to exist an interaction between territory and the productive chain (production-distribution-consumption) of a determined sustainable activity. The specific assets become notorious in respect of the differentiation image that the territory represents. The image of the territory is the

fundamental point for the support of LAS, therefore, a generalized object of interest amongst the agents. The cooperation between a determined group of companies, geographically located to one near another, and the high specificity of the present assets in the territory, are important elements for creating opportunities and new spaces for the action of small organizations facing the competitive environment and globalization. Bearing this in mind, the next stage is to discuss of the Theory of Resource-Based View that aims to build competitive strategies with the assets of a business.

3. THE RESOURCE BASED VIEW (RBV) OF A BUSINESS

The first definitions of RBV were depicted in the 1950s by Edith Penrose. For the author a company is seen as 'a unique bundle of productive resources' (Penrose, 1959). These collections of resources can generate a competitive differential for businesses if managed efficiently. According to Barney (1999), the companies can differentiate themselves through their resources. If the resources available are specific (rare, scarce, specialized) and capable of aggregating value to final products, they can generate a competitive differential.

The resources available and controlled by businesses include assets such as: capacities, organizational process, attributes of the firms, information, knowledge etc. The assets also allow businesses to conceive and implement strategies that optimize the efficiency and the effectiveness of operations (Barney, 1991), thus enabling the creation of value. Resources can be classified in three categories: (1) of physical capital, (2) human capital and (3) organizational capital. Physical capital include, plant, equipment, geographical position, access to material. The human include training, experience sharing, intelligence and individual perception of top management. The resources of organizational capital include structure of information, formal or informal planning, control and systems of coordination and the information related with the group in the environment. Yet, Grant (1991) proposes a classification of tangible resources. This can be observed and evaluated with clarity, such as financial, human resources and equipment, and of intangible resources. Nevertheless these cannot be directly observed such as knowledge, organizational culture, reputation of the company, technological or managerial abilities and relationships with suppliers and clients, among others. Hence, for a company to build competitive advantages it is necessary that it implements a strategy that creates value and this should not be easily copied by potential competitors. As a result, what determines the period of the sustainability of a competitive advantage is the inability of competitors to do copy such an advantage. The sources of competitive advantages are, thus, maintained by the immobility and heterogeneities of the resources, when they are distributed between the businesses (Barney, 1991). In short, to maintain the competitive advantages, the resources should be heterogeneous and immobile.

The theoretical model of what resources a business should have, according to Peteraf (1993), encompasses four empirical attributes: (1) it should be valuable, in the sense of exploring the opportunities and neutralize the threats of the environment; (2) it should be uncommon amongst a competitor's business and a potential competitor; (3) it should be imperfectly matched, and (4) it could not be strategically equivalent and replaceable by other valuable resources, which are not uncommon or inimitable.

The valuable resources are those capable of keeping the competitive advantage position by being able to implement efficiency and effectiveness processes. Distinguishable or uncommon resources are related to the capacity to implement the value creation strategy in face of the competitors. Some strategies require a package of resources, a mix of organizational, human, and physical capital to implement it, as well as talented managers. If many companies are able to use these resources, they can be of value, but they are not distinguishable enough. In respect of the ability or not to match the resources, they would be perfectly inimitable if: (1) the ability of the companies to obtain a resource is dependent of historical conditions; (2) the connection between the resources possessed by the company and its sustainability as competitive advantage is cause of ambiguity; or (3) if the generation of the advantages of the resources are socially complex. According to Peteraf (1993), the main limits to the competition ex-post involve the presence of conditions called *imperfect copy and imperfect substitution* of a resource. The capacity of protection of a resource against imitation or substitution depends on the *causal ambiguity*, the *no-coding of the knowledge*, or the existence of *dependences*, among others.

4. METHODOLOGY

The study has a qualitative nature due to its descriptive approach. The study also has an exploratory function and is descriptive character of a phenomenon that is not sufficiently known. It is characterized as an exploratory research because it focus on the construction of competitive advantages in the livestock sector by the means of existing strategic resources within a LAS. According to Tripodi et al. (1975), the exploratory study aims to 'supply a chart of reference that can facilitate the process of deduction of pertinent questions in the inquiry of a phenomenon'. According to the authors it is possible for the researcher to formulate concepts and hypotheses that will be developed further in subsequent studies (Tripodi et al., 1975).

In respect of the procedures, a review of the literature was carried out to underpin the theoretical background of that the study.

This research used a case study approach, which is justifiable procedure for the exploratory character of the research. For a better understanding of the questions related to the operational process regarding Indication of Origin, interviews with specialists were carried out.

5. EXPLORING THE COMPETITIVE ADVANTAGES OF BEEF

5.1 The Origins of the lack of competitiveness

In Brazil the productive chain of the beef is facing constant difficulties because of the absence of policies to guide the sector in a systemic way. Over a long period the sector has lost market share for similar agrifood chains (Malafaia, Talamini & Blume, 2005) in other regions of Brazil. Hence, the limitations of the productive system, in terms of sustainability, of efficiency of performance, of productive chain and of agribusinesses, determine that immediate actions are necessary to revert the present situation of the bovine sector.

There is a consensus in academia in works of Malafaia, Talamini & Blume (2005), Euclides Filho (2004), Zilbersztajn & Machado Filho (2003), Ferreira (2003) Rocha, Neves e Lobo (2001), Pigato, Silva & Souza and Jank (1996), among others, that the chain of the beef, in Brazil, presents low levels of coordination. Usually the marketing practices are obsolete and the system as a whole is inefficient, with a great deal of opportunistic behaviour, asymmetrical regarding information and lacks of price stability. Besides this, sanitary problems and disloyal competition of slaughter houses, willing to slaughter secretly, contribute for the inefficiency of the sector.

The livestock farming in Brazil can be analyzed under two specific characteristics: the diversity and lack of coordination. Diversity takes form in a great variety of breeds, systems of production, of sanitary conditions at slaughter and by a variety of marketing forms. The lack of coordination is established by the decreasing stability in the relationships between those along the beef supply chain such as fattening up, slaughter houses, wholesalers and retail. The relationships between the several segments of the chain are brought to fruition by the market and facilitated by considering beef as commodity. The main factor that prompts such a form of organization is the low level of the specificity of the traded products.

The chain in question presents incapable to increase its productivity and reduce costs in a systemic way as well as being competitive. By not doing so the loss of market share to other meats and beef from other regions is great. Demands such as stricter criteria of sanitary inspection and attributes of quality, safety, hygiene and reliability in the product consumed, force the stakeholder to produce beef with more specificity. In this sense, the lack of coordination of the beef chain hinders its promotion. This results in the consumer not identifying the relationship between the product acquired and the supplier. As a result, the differentiation of the products is limited and entirely on the hands of the retailer. Beef producers aiming at higher quality fail to capture the real potential of the product deriving from better attributes. Historically, the relations between the agents of the bovine chain have always been of conflict. The market place was the arena of choice for exchanges not the cultivating of a relationship characteristic of the many frustrated attempts to establish productive arrangements in this sector (Rocha, Neves e Lobo, 2001).

In the State of Rio Grande do Sul, ranked fourth in production of beef in Brazil (Fürstenau 2004), the consequences of the issues previously discussed are perceived, mainly, through the negative economic results translated in elevated dependence of earnings that are not agricultural (in special resulting from leasing and drawing of pension funds). Equally, the present productive system is typical of a relatively low value of the land, a low level of immobilized capital, a low utilization of labour and a low or negative indicator of economic efficiency (SEBRAE/FARSUL/SENAR 2005). Explanations for such a poor performance could be attributed to the process of globalization. It has had a huge impact in the livestock farming activity of Rio Grande do Sul, mainly in respect of the competition with other members of MERCOSUL (the South American Common Market). As a result of trade integration, many producers were forced to leave the productive process because they were not efficient or specialised enough. On the processors side, many meat packers went bankrupt as identified by Favarett Filho & Lima de Paula (1997). The segments' profitability is today is precarious and does not guarantee a sustainable livelihood of families who, for generations, have lived from livestock farming. It is also noticed that the state is not competitive in relation to other regions in Brazil such as

states of the centre-west also traditional for raising cattle. Ranchers in those states are oriented towards the beef export activity, which demands qualification in productive process that, not necessary, aim at supplying the domestic market. According to FÜRSTENAU (2004), the participation of Rio Grande do Sul in the Brazilian beef exports in 1990 was 22%, but in 2002 it had dropped to less than 6%. Meanwhile other states in the federation have taken over the market share.

The same author affirms that, being the Brazilian exports of beef *in natura* a consequence of the degree of evolution of the sector, the state of Rio Grande do Sul would be the least dynamic, because despite following the trends in other states it has operated in a much narrower amplitude. Absence of efficiency in the output of meat, in the southern-most state is a reflection of a loss of relative importance of the presence of such a state in the external market. Another phenomenon clearly identified in the literature is the ability of other beef producing states to quickly occupy the markets left by Rio Grande do Sul. In that context, the lack of competitiveness of Rio Grande do Sul is clear. However, it is noted the existence of a huge competitive potential in the state. It derives comes from available strategic resources in its territory (high genetics of breeds; animal which are grass feed; huge extensions of fields; good conditions of climate and soil; the presence of processing plants qualified for the export market, the political power of producers associations, a network of scientific-research stations; universities and the cultural tradition. Nevertheless, all these elements need to be worked in a coordinated form, in order to obtain sustainable competitive advantages.

This inquiry's main source of concern relate to the problems faced by the chain of the beef in Rio Grande do Sul. In order to revert this situation, a Local Agri food System (LAS) attempted to exploit the existing strategic resources present in the territory. As a result of the work, an Indication of Origin of the 'Meat of the Gaúcho Pampas' was obtained recognised by the Brazilian Institute of Intellectual Property (INPI). The LAS in question is situated in the Pampa Region (see map in the appendices) and its study has revealed its contribution to the strengthening of the agri-industrial cluster following the notion of development of strategic resources as proposed by Requier-Desjardins (2002).

5.2. The Indication of Origin as a source of Competitive Advantages for Beef

The region of the Pampas, has many strategic resources: a privileged ecosystem, European cattle genetic base, the production process based on outdoors raising animals on grass, animal welfare slaughter, extensive native grasslands, tacit knowledge of the producers, agricultural research, culture and tradition of the people.

The Indication of Origin 'Meat of the Gaucho Pampas', was only obtained after two other IOs in Brazil relating to wine and coffee. This means that a product originated inside a specific territory in a country, or in a region where a set quality, reputation or another characteristic is essentially attributed to this specific geographical location. The project of the Meat of the Gaucho Pampas started in 2004, though a partnership private and governmental organisations as well as with the leadership of farmers from the Pampas' region. Such an Indication of the Origin encompassed the municipalities of Bagé, Hulha Negra, Dom Pedrito, Lavras do Sul,

Candiota, Pedras Altas, Aceguá, e Pinheiro Machado (map in the appendices). The objective of the program of certified meat was to have a differentiated product through aggregation of value to the animals, thus enabling a larger beef consumer market (internal and external). With a final better quality product it was believed that the producer would obtain a better remuneration, being able to continue to invest in programs of quality.

AS for the requirements, animals of European breed either Hereford and Angus and their hybrids; fed exclusively on native pastures or improved native (cultivated winter lots) pastures. The herd should remain a minimum of one year, within in IO region. What distinguish the “pampas” biome are the natural characteristics that enable additional value to that product. The program follows a set of norms which include the age of the animals for slaughter (42 months) following the characteristic of weight, rank of fatness in the meat and nature of the carcass. The monitoring system of animals is established since its birth. It should be highlighted that this program certifies the animals not the properties. Beef producers had to comply with a set of animal husbandry practices and the slaughter houses had to follow strict industrial process (checking of animals, slaughter, approval of the carcasses, identification of the carcasses with the geographical identification, release of bones and maturation of the meat) and tag of cuts. Under this program some 200 cattle ranchers have signed up to APROPAMPA – Association of the Producers of the Meat of the Pampas. The association closely monitors all the process of certification, also functioning as a regulation council. The project foresees the adhesion of 300 cattle dealers until June of 2007, and a total of a thousand until June of 2010. The link with processing is composed by two slaughter houses which are part of the scheme. One of the goals of the program is to increase the exports of meat *in natura* to 97 thousand tones until 2007 (Diário Popular, 2005).

The indication of origin stamp of the ‘Meat of the Pampas’ identifies the type of the animal, sex, progenitors, locality, age, kind of food consumed etc. It also shows the fulfilment of an assembly of requirements that guarantees the quality of the product and should be continued in all of the links of the productive chain. The configuration of LAS in the Pampa region means that all those in the beef chain operating within a specific territory, seek a sustainable competitive advantage through the use of common strategic resources. However, for the strategic resources presented in the LAS to become competitively sustainable, it is necessary to employ technological, organizational and institutional innovation. The outcome would be transparency, value added, less costs of transaction, less opportunist, a unique fiscal and sanitary standard and specificity of the assets.

An important point is the coordination of this system, where the collective action becomes fundamental for the creation of new opportunities and new spaces of action for the agents involved. To the beef LAS to become competitive, it is necessary a change in the attitude of the agents. The opportunistic behaviour of agents is a problem usually addressed in the literature on beef chains which determine the collapse of many productive arrangements (Rocha, Neves & Lobo, 2001). In a recent study, Malafaia, Talamini & Blime (2005), identified that in the region of Bagé, the short-term vision of some of the agents broke the cooperation behaviour and erode the competitive advantage situation in livestock farming. The authors suggest a change of behaviour moving from an short-term vision to a vision of medium and long term enabling more trust amongst farmers. This is crucial to

change the unfavourable present situation of the livestock farming in the region. Nevertheless, the existing improvements seen from the livestock farming activity in the Pampa's region have been a reality. The resulting to quality and marketing of the beef has improved and, in itself, such a venture marks an important evolution for such a traditional activity.

Therefore, it is evident the benefits of LAS, that without it, many projects and initiatives of productive arrangements in the chain of the beef would have been abandoned. To be successful, LAS must share a cooperative action and a coordination of strategies by its agents. According to Meyer-Stamer (2001), it is frequently the failure of experiences that are going to stimulate the cooperation between companies of the same sector in a determined city or region, given the problem of opportunistic behaviour. Following this, the collective construction of coordination becomes fundamental for the sustainability of that system, therefore it provides a reconciliation of the heterogeneity of the individuals and their unified principles, generating rules and basis of coordination.

FINAL CONSIDERATIONS

This article tried to contribute to the argument of the insertion of the *gaúcho* livestock farming in the competitive environment of the agribusiness. Through the arguments presented here, it is perceived a huge opportunity for the livestock farming to penetrate specific niche markets. However, willingness to cooperate and the organization required between these economic agents is vital for obtaining and supplying a potential and existing demand. In view of this, the concept of LAS gathers importance because it is an association of techniques, typical products, production styles, territory; natural resources, collective actions and organization of the activities of production. The efficiency of LAS is a link between territory and innovation, provided by the process of collective action, as well as by the reduced costs of transaction due to the proximity between the agents. The impact of the environment of trust and the feeling of shared identity amongst the actors also allow for reductions in the costs of transaction inside the LAS.

The RBV theory provides a consistent foundation for better understanding the possibilities of insertion of the livestock farming in the competitive environment. The factors that were considered before as competitive bottle necks (decrease scale production; low use of the technology, of chemical inputs; cultural and territorial characteristics, etc.) can now become factors of competitive differential. It is highlighted that these competitive advantages are specific of each locality, being difficult to be copied. However, the present strategic resources in the territory will only provide sustainable advantages if it is worked on a coordinated basis by the agents.

Finally, the evidences presented in this work confirm that the Local Agrifood Systems are a viable alternative of insertion of the livestock farming in the competitive environment. As a proposal for future studies, it is suggested further studies about the social construction of the concept of coordination in territories where the economy of the conventions would fit, and its relation with the sustainable competitive strategies could be discussed by the RBV theory.

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Appendices

Map of the Geographical Indication area (27°S to 33° S 49° W to 57°W)



Logo of the programme

