AN AGRICULTURAL MARKET IN THE NORTHERN PERUVIAN ANDES: FORMAL/INFORMAL ECONOMIC SECTORS, METHOD OF TRANSFER, AND TRUST

A Thesis

by

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ABSTRACT

This study considers the market of potatoes in Amazonas, Peru from an informal production sector to a more formal retail-marketing sector. I consider and challenge current understandings that attempt to model formal/informal markets sectors. Those include state involvement in economic processes, wage structure and social security mechanisms, and size and organizational techniques. As, well I suggest that the method of transfer would be a useful addition to the work that attempts to model and define formal and informal economic sectors. I do so because of the importance of trust in economic exchange. In this study, these four models are reframed in terms of hypotheses to see which can most systematically explain increased formality along the market channel from production to retail marketing. I find that only two can. Those are state involvement and method of transfer and trust. Research methods include open-ended interviews (n=25) and participant observation.
DEDICATION

This thesis is dedicated to my family, in both North and South America. Without their support, this study would not have been possible.
ACKNOWLEDGEMENTS

I would like to thank my committee chair, Dr. Dannhaeuser, and my committee members, Dr. Werner and Dr. Cohn, for their guidance and support throughout the course of this research. Thanks also go to my friends and colleagues and the department faculty and staff for making my time at Texas A&M University a great experience.
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CHAPTER I
INTRODUCTION

This study concerns an agricultural market in the Amazonas Region of the northern Peruvian Andes and seeks to understand the processes at work from production to retail in that market. The study investigates the connection between a small group of peasant farmers with an urban marketplace. The assumption is that the market of potatoes will become increasing formalized from peasant production to retail marketing. Research tests this assumption based on traditional differentiations between formal and informal economic sectors and proposes a new understanding of the difference between formal/informal market economic sectors based on “method of transfer” (Hunt 2002). I suggest that the method of transfer is worthy of attention as it is the area in which I expect to see one of the most important aspects of market activity to manifest itself— that aspect being trust. This thesis aims to gauge how the method of transfer changes along the market channel, from production to consumption, based on how trust is maintained and what that can tell us about the degree of formalization of an economic sector.

For a number of reasons, this study concentrates specifically on the market of potatoes. First, time available for research was limited, and concentrating on one product provided a way to limit the scope of research. That said, I would argue that most of the data presented here, save for the data on the agricultural cycles, applies to

1 Region is the official geopolitical designation for Amazonas, much like a state or province. When I refer to Region, capitalized, I am referring to that geopolitical entity. Lowercase will be used to designate the informal area in which research is conducted.
the Region’s other major products, which include corn, wheat, and alfalfa. Potato production is the primary source of income for most informants on the production end. In fact, most informants expressly identified themselves as potato farmers despite growing other types of products. Admittedly, this approach becomes problematic at the retail level where potatoes may represent only a small part of retail vendors’ sale. Lastly, potatoes have a symbolic importance in Peruvian culture. Potatoes originated in Peru. Potatoes, both in historical and contemporary terms, are the country’s single most important food crop in terms of production and contribution to diet. In fact, throughout my experience in Peru, many Peruvians have made it clear that a proper meal cannot be had without potatoes. Potatoes are sold in every major market of the country practically year round. Potatoes serve as an important reminder of pre-Columbian culture and feature prominently in many “recognized national dishes” (Scott 1985:1).

This study takes its theoretical perspective from economic anthropology and utilizes three concepts important to that field: the formal and informal sector divide, market channels, and method of transfer. Economic anthropology has numerous and evolving definitions (Ortiz 1983:vii-xii; Plattner 1989:1), but I prefer Carrier’s simple even if tautological definition of economic anthropology as “the description and analysis of economic life, using an anthropological perspective” (Carrier 2005:1).

Within economic anthropology, there has been much work done on formal/informal sectors concerning what defines the sectors, what characteristics can be used to diagnose the difference, and how they can be integrated (Dannhaeuser 1989; Obukhova and Guyer 2002; Portes and Walton 1981; Smith 1989). This study
investigates these issues in the context of an agricultural market and proposes the method of transfer as a useful addition to that discussion (Bohannan 1963; Hunt 2002; Mauss 1969; Sahlins 1972). It will do so by looking at how transfer differs along a market channel and the different mechanisms for enforcing trust at each level.

I propose “method of transfer” as a key element in the economic process because it is the arena in which I expect to see trust evidenced. Trust is incredibly important, even necessary, for economic relationships to be viable. It is the glue that holds these relationships together. In the context of a small peasant village like Maria, described in greater detail later, economic relationships are embedded in close social relationships, such as kinship or close community ties. In that context, trust is cemented by the social relationships between economic actors. For example, as will be shown, the economic relationship between producers and wholesalers in Maria serves an economic function—the marketing of potatoes. However, the relationship cannot be understood without acknowledging the social, in this case kin, relationship between producers and wholesalers. That bond provides the basis for trust, and when new wholesalers who do not have the same social relationship attempt to enter the market, the economic relationship becomes problematic. At the retail level, buyers mostly consist of the public at large. As such, there are no entrenched social relationships that ensure trust, and trust must be maintained through other mechanisms. In the retail market under consideration in this study, trust is maintained by not extending high levels of credit, by quick collection on credit, and by a kind of public shaming for those who default on credit.
This study considers three research questions. First, what does the market channel look like from production to consumer? That is, what happens between a farmer’s decision to plant and when potatoes leave the retail market for individual homes or restaurants? Second, how can our traditional understanding of formal/informal sectors—state involvement, wage structure and social security mechanisms, and size and corporate organization—be employed in analyzing the movement of potatoes from producers to consumers? Third, can the method of transfer more accurately distinguish the informal peasant level from the formal, retail marketing level of products in the process than our previous understanding? That is, can how products are exchanged distinguish the two more fully? The goal will be to see which of these distinctions between formal and informal sectors can accurately and systematically explain how markets are increasingly formalized from production to consumption.

Research took place in Maria and Chachapoyas, both in the Amazonas Region. Maria is designated administratively as a town, but at approximately 900 residents, most of them engaged in agriculture, geographers would consider it a village. Chachapoyas, with a population of approximately 23,000, provides the Region’s commercial and administrative center. Both are located in the Amazonas Region of the northern Peruvian sierra and are separated by approximately three hours in car. I chose three research sites located in the two areas. The three sites correspond to the three levels of the market channel: production, wholesale, and retail. First, research was conducted in Maria. Maria is one of many villages surrounding Chachapoyas that provide the urban center with much of its food, including potatoes. The second research site was the
wholesale market in city of Chachapoyas, Peru. Products from Maria are marketed in the wholesale market of Chachapoyas. Third, retail markets and large restaurants in Chachapoyas form the end of the process and connect retailers with consumers.

Field research was conducted for two months in the summer of 2012, and participants in this study consisted of three groups, all of whom were engaged in connecting production with consumption. Participants included: a.) producers, peasant farmers, in Maria; b.) transporters, merchant middlemen, who take title to products and market them in Chachapoyas; c.) buyers, primarily retail market vendors who sell products to consumers. Roughly equal time was spent among producers in Maria and marketers in Chachapoyas.

There were three reasons for the site selection. First, I have over two years of experience working as an English teacher in the area. I speak Spanish fluently and have developed significant rapport with informants. This allowed for easy access to research opportunities and participants and significantly. Second, as far as I am aware, there has been very little anthropological research conducted in Amazonas Region and northern Peru in general (Nugent 1997). Third, the area is beginning to see significant attention from governmental organizations, in the form of development projects that seek to improve production and expand markets about which no academic research has been done. In order to engage those markets successfully, it is first useful to have an accurate description and understanding of what these markets entail.

Organizational structure is as follows. In chapter two, I lay out the conceptual framework, hypotheses, and methods used in the study. I outline the various ways in
which the formal/informal distinction has been understood, propose that the method of transfer is a valuable diagnostic in discerning that distinction, and highlight the reasoning behind that proposition—namely, that the issue of trust is essential to understanding how formal and informal markets function. As this study uses the market channel as its unit of analysis, I give a brief description of the market channel concept. Next, I propose hypotheses. The overarching hypothesis is that the market becomes formalized from production to consumption. Sub-hypotheses relate how this is evidenced. As to methods, I outline how data was collected and how participants were recruited. I also describe the research setting, interview topics, and how data are analyzed. In chapter three, I examine the relevant literature on the history of the Peruvian market relevant to the peasantry as well as works on contemporary markets. In particular, I examine three studies, which correspond to the levels in the market channel of agricultural products: production, wholesale, and retail marketing.

In chapters four through six, I present the ethnographic data on production, wholesale, and retail levels, respectively. Each chapter begins with a brief description of the research site, and I explain what happens at that level in the market channel. Then, I examine each of the four methods of discerning formal/informal market sectors outlined in chapter three in the context of the given level of the market channel. In chapter seven, I discuss which of the hypotheses are best supported by the data. I include a discussion of trust as it relates to method of transfer and propose that the method of transfer is a manifestation of differing levels of trust or distrust. In chapter eight, I summarize the
study as a whole, reiterate the importance of studies such as this, and propose issues for future research.
CHAPTER II
CONCEPTUAL FRAMEWORK, HYPOTHESES, AND METHODS

The goal of this project is to describe the process by which agrarian communities connect to an urban market within the context of the formal/informal divide. In order to accomplish this description it is necessary to have an understanding of how the formal and informal economic sectors are typically defined and if they can accurately describe increased formalization that we see in Amazonas. I suggest that our understanding of these sectors would be enriched through a consideration of method of transfer. I do so because of the importance of trust in economic relationships and the fact that trust is maintained differently in formal and informal economic sectors. Moreover, to make the connection between production and consumption clear, the market channel concept is useful as a unit of analysis, and I provide various definitions of that concept. I note the working hypotheses for this study and describe the methods utilized.

The Formal versus the Informal Sector

The formal versus informal sector dichotomy has been an issue of great interest to anthropologists since the 1970s. There is general agreement that there are three major ways to delineate the two: first, the relationship with the state; second, existing wage structure and social security mechanisms; and third, size and corporate organization.

Smith (1989) argues that informal markets are those “that engage people in the labor, circulation, and consumption of good and services, largely outside the ken of the government.” That is, the informal sector “partially or totally evades public monitoring
or entry into the general accounts as well as any obligatory or reciprocal corporate assessment (tax, that is)” (Smith 1989:292-294). The formal sector, therefore, exists largely within the ken of the government. Specifically, it is monitored and taxed. I interpret Smith’s definition in two different ways. First, I configure the data according to a strict interpretation of state involvement, just monitoring and taxation. However, monitoring and taxing are not the only ways the government can engage an economic sector. Therefore, I also consider the various ways in which the state interacts with market activities not related to monitoring and taxation.

Portes and Walton define the informal sector as “all income-producing activities outside formal sector wages and social security payments” (1981:87). Thus, it includes both self-employed non-wage or family labor, and those who are employed at below minimum wages with no social security protection. The formal sector, by the same token, would be income-producing activities that exhibit contractual wages and social security payments. In this study, all income-producing activities encompass the sale of labor and the sale of products, and I consider social security to be protection when an actor is unable to work.

Dannhaeuser uses two dimensions to mark the distinction: “wealth and size on the one hand, and the manner of operation on the other” (1989:228). In the informal sector, “enterprises operate on a small scale in unregulated and competitive markets, use

2 Of course, social security usually entails government involvement. Thus, it could be considered under Smith’s (1989) definition. I separate the two here because Portes and Walton (1981) specifically posit social security as part of the defining characteristic, along with wage structure, of a formal/informal economic sector.
labor-intensive and ‘adapted’… technologies. Entry into a market is comparatively easy since little capital is needed and the work force comes from the family… Most importantly, the informal sector operates without any public or organized large-scale insurance protection” (Dannhaeuser 1989:228). Conversely, in the formal sector “formal training is often required to enter, enterprises are large and capital intensive, corporate kinds of organizations are typical, formal management techniques prevail, and connections with national and international institutions are profound“ (Dannhaeuser 1989:228).³ This definition has the advantages of organizing the distinction along two axes, and provides a number of useful diagnostic characteristics. I will consider the size of enterprise as measured by many variables including fixed assets, physical size, amount of products bought or sold, and the number of people employed in each enterprise. I take manner of operation to mean how labor is organized and how it is remunerated.

The dualistic approach that contrasts the two sectors can over-simplify the situation and can obscure complicated ethnographic realities. For this reason the formal/informal classifications should be treated more like heuristic summaries of general characteristics (Dannhaeuser 1989). The classifications should not be thought of as absolute or mutually exclusive. Rather, they operate along a continuum from sectors that are extremely formal to sectors that are extremely informal. Finally, it must be noted that these three criteria—state involvement, wage structure and social security, and size

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³ Corporate could also been taken to mean incorporated into a legal body for commerce. I am not using the term in that sense, and none of my informants’ businesses were operated in this manner.
and corporate organization—should not be thought of as contradictory schools of thought. That is, they combine to represent a dynamic way in which to think about formal/informal economic sectors.

It is for these reasons that a number of studies have focused on how the two sectors interact and are integrated. Dannhaeuser argues that the relationship between the two manifests itself in complex and dynamic ways. First, they can function together in “symbiosis” and at other times in competition with one another (Dannhaeuser 1989:230). The second way describes the manner which the sectors interpenetrate one another. “There is a constant exchange of personnel, products, and finance between them, not to mention of information in the form of advertising and other communication” (Dannhaeuser 1989:230-231). Obukhova and Guyer (2002) argue for an approach that transcends the formal/informal divide. That approach implies that we “focus ethnographic attention precisely on the points themselves at which the institutions of state and finance meet the emergent orders of commercial life” (Obukhova and Guyer 2002:200).

In this study, each of these three defining characteristics of the formal/informal economic sector divide—state involvement, wage structure and social security mechanisms, and size and corporate organization—correspond to testable hypotheses, described below. By testing these three hypotheses, we should simultaneously see whether or not the agricultural market in question does, in fact, become increasingly formalized as one moves from producers to consumers and at the same time test the relevance of the three definitions in the context of the market of potatoes in Amazonas.
This study draws on Mayer’s (2005) concept of “the space in between” to suggest that attention should also be paid to the method of transfer with regard to formal/informal economic sectors. “The space in between is composed of three elements: utilitarian reciprocal exchanges, barter and the informal sector. The task is to integrate these non-monetary patterns into a framework that also deals with the relationship of the household with the import-export monetary market” (Mayer 2005:415). Utilitarian reciprocal exchange, according to Mayer, refers to non-monetary exchanges, usually of labor, between households. Barter refers to an explicitly non-monetary flow of goods within the peasantry that attempts to exclude outsider, monetized economic agents (Mayer 2005). The differentiation between labor exchange (utilitarian reciprocal exchange) and product exchange (barter) is important, and I will consider both in the three market channel levels. The primary unit of production in this study is the household, and I take the import-export monetary market to mean a more formalized sector of the economy. Two elements of the space in between, utilitarian reciprocal exchange and barter, are two different methods of transfer and are used to describe the third element, the informal sector. Thus, I expect to see a higher level of utilitarian reciprocal exchange and barter that is not monetized at the production level. When Mayer refers to the formal, monetary market that too denotes a method of transfer.

I prefer the term method of transfer rather than method of exchange because it is more inclusive. Transfer signifies both one-way and two-way flows of goods. For example, theft, gambling, or defaulting on credit both are transfers, but since the transfer is not reciprocated, it is not an exchange (Hunt 2002).
Mayer argues that the interconnection of these types of transfers, between informal and formal sectors, have yet to be studied, and this study aims to fill that void.

If the method of transfer can diagnose the informal/formal boundary, it is necessary to examine how economic anthropologists have defined and theorized the various methods of transfer. There has been significant anthropological attention paid to different forms of transfer and exchange (see Werner & Bell 2004). Of these, I find Hunt’s (2002) typology to be the most useful for this study. Hunt notes that there are three conceptual contrasts through which anthropologists have understood methods of transfer: a.) reciprocity-redistribution-market, b.) gift-commodity, and c.) generalized-negative-balanced reciprocity. I define each of these methods of transfer, according to the social scientist that proposed them, but there is considerable conceptual overlap among the types. With this in mind, I provide my own framework below that is derived from Hunt (2002) but consolidates the various types into fewer, more mutually exclusive categories.

According to Hunt (2002) the reciprocity-redistribution-market contrast is originally associated with Karl Polanyi’s (1957) work, and the terms are defined as follows. Reciprocity involves exchange of goods between people who are bound in non-market, non-hierarchical relationships with one another. The exchange does not create the relationship, but rather is a part of the behavior that gives its content. Redistribution is defined by Polanyi as a systematic movement of goods toward an administrative center and their re-allotment by the authorities at the center. Market exchange is the exchange of goods at prices determined by the forces of supply and demand. Its essence
is free and casual contact (Bohannan 1963:231; Hunt 2002:106). According to Polanyi, economies can be characterized by one of these three methods (Polanyi).

Mauss (1969) was one of the first to propose the gift-commodity contrast as a method of transfer (Carrier 1991; Yan 2005). Gift exchange and commodity exchange can be distinguished from one another in three ways. First, according to Mauss, gift exchange is obligatory in the sense that gifts must be received and repaid. To deny this is to deny the social relationship with the other party. Second, gifts are inalienable objects. In this sense, gifts “continually remind them [giver and receiver] of each other, and so affirm and recreate the relationship that links them” (Carrier 1991:125). Third, gifts are given between related and mutually obligated actors. Carrier notes, “In societies dominated by gift exchange, the structure of kinship typically provides the basis for people’s identities, relations and obligations” (Carrier 1991:129). Thus, gifting, in the Maussian sense, results in a set of reciprocal obligations between participants with close relationships and is similar to Polanyi’s notion of reciprocity.

As mentioned, these different methods of transfer are not mutually exclusive, and there is considerable overlap. For example, there is little difference between market exchange and negative reciprocity. Market exchange, characterized principally by the law of supply and demand, is also negative reciprocity in that buyers largely gamble that products can be re-sold at a profit, an attempt to gain something for nothing.

Additionally, not all of the methods of transfer reviewed here are applicable in this study. For example, redistributive exchange, characterized by a systematic movement of goods to an administrative center and subsequent re-allotment by authorities at that center, is largely a feature of socialist economies, which is not what we see in Amazonas. As well, redistributive exchange would include taxation, which we do see to some extent in Amazonas, but there is no redistributive exchange of products. For this reason, the eight methods of transfer, described above, can be merged into the following three methods of transfer:

- **Market Exchange:** This method combines the market exchange of Polanyi (Hunt 2002; Polanyi 1957) and negative reciprocal exchange of Sahlins (1972). Market transfer, for the purposes of this study, is based on the law of supply and demand but also an attempt to get something for nothing. Maximization of profit is the key to understanding market exchange in this study. I use Polanyi’s term, rather than Sahlins’s, because of the association of negative reciprocity with theft, which only represents the extreme form of negative exchange.

- **Balanced Reciprocity:** Balanced reciprocity refers to direct an equivalent exchange without delay. The major difference between market transfer and


balanced reciprocity, as this study defines the terms, is that the terms of the exchange are relatively fixed by tradition. That is, balanced reciprocity is not as sensitive to forces of supply and demand, and restitution is instant. It is also important to note that balanced reciprocity does not mean non-commercial.

• Generalized Reciprocity: This method of transfer encompasses Polanyi’s reciprocity, Mauss’s gift exchange, and Sahlins’s generalized reciprocity. This type of exchange takes place between people who are bound in non-market, non-hierarchical relationships (Hunt 2002). It also takes on the characteristics of Maussian gift exchange (1969). It includes Sahlins’s generalized reciprocity in the sense that exchange may include altruism, sharing, and hospitality. The big difference between generalized reciprocity and the other two forms of exchange is that terms of generalized reciprocity are often veiled in a multifaceted social relationship that requires a thicker description to understand the exchange (Geertz 1973).

This study will look at what methods of transfer take place within each level in the market channel and also between each level. According to Mayer’s (2005) space in between, when transfer includes utilitarian reciprocal exchange and barter (which can be categorized as forms of generalized reciprocity) sectors are likely to be informal, and I expect to see these forms of transfer at the production level. When the exchange is primarily monetary and market-based, the sector is likely to be formal, and I expect to see this form of transfer at the retail market level. However, as we know that the informal sector links with the formal market sector, there must be an intermediary
exchange from informal to formal. As the space in between concept suggests, this study will look at the agents and institutions that enable the change to take place. As I see it, the issue at hand is how trust is established and maintained in either context.

Trust

The elements of formal and informal markets cannot be examined without the recognition that there are intrinsic elements that influence their interaction. The most salient of those is trust. The work on trust emphasizes its importance in economic relationships. For example, Jiang et al. state, “As a critical factor for facilitating exchange relationships, trust plays a central role in relationship building and relationship maintenance in business markets (2011:320). Tu and Bulte argue, “markets cannot function, and deliver their standard efficient gains without trust” (2010:1179). Manapat et al. extend the importance of trust even further, arguing that, “Trust and trustworthiness are essential characteristics of successful human societies” (2012:1). The reason that I suggest method of transfer as a helpful diagnostic of the formal/informal divide is because it is the arena in which trust is manifested. If trust is such an integral part of transfer, then it is worth looking into how trust may be manifested differently in the informal and formal sectors.

There are various definitions of trust. Hardin considers trust as an “encapsulated interest” and explains it through the maxim that, “I trust you because I think it is in your interest to take my interests in the relevant matter seriously in the following sense: You value the continuation of our relationship, and you therefore have your own interests in taking my interests into account” (Hardin 2002:1). Sztompka defines trust as “a bet
about the future contingent upon the actions of others” (1999:25). Luhman, echoing the temporal component in trust, argues, “To show trust is to anticipate the future. It is to behave as though the future were certain” (1979:10).

Since trust is of such importance in economic transfer, it is worthwhile to see how trust exhibits itself in both formal and informal contexts. Trust is often maintained differently in the two. As Lyon suggests, “exchange requires interaction and a level of security which can be based on legal measures, trust or coercion” (Lyon 2000:663). When that level of security is based on personal trust, the sector is likely to be informal. When that level of security is based on depersonalized legal measures, the sector is likely to be formal. For example, Hardin notes that in informal peasant communities, “Family members stick together and both lie to and distrust others… In these societies it appears that one cannot be considered trustworthy without the threat of extrafamilial sanctions” (Hardin 2002:98-99). Thus, we see that trust is enforced by personal relationships between actors whose relationship goes beyond a purely commercial one. There are a number of studies that explore the issue of personalized trust in informal sectors (Lyon 2000; Manapat et al. 2012). As an example of trust in the formal sector, Hardin explains, “I do not trust Ford or Microsoft, but I do rely on them to follow their own interests in being disciplined by market incentives, perhaps with a bit of help from public regulatory agencies” (Hardin 2002:186). I suggest that in formal economic sectors, therefore, involve mechanisms of maintaining trust that are depersonalized, and a number of studies that look into these depersonalized mechanisms (Jiang et al 2011; Moorman et al. 1994).
In the increasingly interconnected world in which we live, economic relationships often link the informal sector to the formal sector and vice versa. However, following Hardin, we would expect peasant communities to become increasingly economically isolated. The high level of distrust between peasants and outsiders would prohibit the flow of products to outside markets. However, since we know that peasants do have an economic connection to markets, there must be some mechanism in the transfer that corrects for this level of distrust in peasant communities that Hardin notes. This study aims to know exactly what that mechanism may be.

*Market Channels*

The market channel concept has been widely used as a unit of analysis in the field of economic anthropology and beyond (Dannhaeuser 1989; Obukhova and Guyer 2002). According to Kohls, market channels describe how “for each commodity the various agencies have arranged in rather particular ways to accomplish the movement of a product from the producer to the final consumer. These arrangements make up what is known as the marketing channel” (Kohls 1967:31).

Similarly, Kotler describes market channels as “the set of all the firms and individuals that cooperate to produce, distribute, and consume the particular good or service of a particular producer” (Kotler 1980:47-48 in Dannhaeuser 1989:231-232). This includes:

Producers, insofar that they are engaged in selling; merchant middlemen (traders who take title to goods); and agent middlemen (brokers and others
who do not take title). Facilitators and marketing firms, such as warehouses, banks, and advertising agencies, are also part of the channel because they assist in the distribution of products. Finally, there are the consumers the provisioning of whom is the central function of market channels. (Dannhaeuser 1989:232)

Thus, the market channel can be seen as including producers and consumers and those agents that link them. For this study on agricultural market channels, Babb has described it best as what happens “between field and cooking pot” (Babb 1989).

Beyond definitions, there are various types of market channels and ways to categorize them. Kohls has suggested that there are two ways market channels may be categorized; they are either centralized and decentralized channels.

A centralized marketing channel is one in which the farmer’s products are brought together in large central and terminal markets. They are purchased by processors or wholesalers from commission men and brokers who act as the farmer’s selling agent. A decentralized channel is one that does not utilize such established large market facilities. Instead, processors or other wholesalers purchase either directly from farmers or at small production area selling points. (Kohls 1967:31)

While this typology does have the advantage of being tailored specifically to agriculture, it confuses the marketplace with the market channel. In doing so it does not do justice to the channel concept, which at its core emphasizes the connections between actors.
Dannhaeuser has suggested a more helpful grouping according to three dimensions: a.) structure, which is the number and size of channel levels and firms; b.) domination, which is the extent to which one or a small group of firms control the rest; and c.) marketing behavior, usually described according to the aggressiveness or passiveness of marketers. Moreover, this classification contains a dynamic element that can account for changes as the economy evolves or devolves (1985:182-183; 1989:233-234). For example, Dannhaeuser notes that in mature economies there has been a tendency toward channel concentration or vertical integration, which involves increased dominance of actors in one channel level over those on other channel levels. At the same time, active marketing strategies have become the norm in the industrial West (Dannhaeuser 1989:234-235).

The most important characteristic of the market channel concept is that it highlights relationships between agents and institutions, along which products move from producers to consumers. Thus, it is an appropriate unit of analysis in a study such as this one that seeks to explore the interconnection between informal and informal sectors and the methods of transfer associated with them.

Research Questions and Hypotheses

The overarching problem of this study is the following: is there a systematic relationship between formal/informal sectors and method of transfer along the market channel in Amazonas? As this study will use the market channel as its unit of analysis, the first thing required is a description of that channel and an understanding of the different levels involved. From there, I test which of the existing definitions of
formal/informal economic sectors best describes the channel levels in the market of potatoes in Amazonas. Lastly, I consider whether the method of transfer along the market channel overlaps with the formal/informal divide as traditionally defined.

Specifically, this study asks two research questions and tests associated hypotheses. 1) How is the formal/informal sector divide, as traditionally defined, evidenced along the market channel? 2) Can methods of transfer and means of maintaining trust be used to gauge the formality/informality of the sector as products move along the market channel?

The first question addresses current understandings of the formal/informal distinction and tests their applicability in an agricultural market in northern Peru.

H1: Actors and institutions will increase in formality as products move from production to consumption in three ways.

• H1A: There will be less state involvement at the production level than at the retail market level. The wholesale level will fall in between,

• H1B: There will be a less formal wage structure and less social security protection at the production level than at the retail market level. The wholesale level will fall in between.

• H1C: Size and organization will be less at the production level than the retail market level. The wholesale level will fall in between.

The unit of production in this study is the household in the rural community of Maria, where I expect to see limited state involvement, wages based in reciprocal labor
relationships, and small size with a familial organization. The retail market takes place in Chachapoyas, a regional urban center, where I expect to see more involvement of the state, more structured wage and social security apparatuses, and large enterprise size and corporate organization. These hypotheses correspond to the three ways of delineating the formal/informal sectors outlined above.

The second question will address this study’s contention that the method of transfer could be a useful addition in diagnosing the degree of formalization along the market channel. This contention is based on the different ways of enforcing trust in formal/informal sectors described above.

H2: There will be a greater variety of methods of transfer, which reflect different means of maintaining trust (personal or impersonal) at the production level than at the market level. The wholesale level will fall in between.

- H2A: The production level will exhibit a relatively large variety of methods of transfer that reflect more personal means of maintaining trust.
- H2B: The wholesale level will exhibit an intermediate amount of variety of methods of transfer that reflect less personal means of maintaining trust.
- H2C: There will be a small variety of methods of transfer that reflect more impersonal means of maintaining trust.

The justification for these hypotheses is based on the assumption that on the production level the economic sector is informal and that on the retail level the economic sector is formal with respect to method of transfer. The assumption is that the variety of methods of transfer decreases and moves toward purely economic transfer as institutions and
actors become more de-personalized. Concomitantly, as the level of social trust declines, from a peasantry with close social relationships to an urban market where the transfer is usually purely commercial, I expect the method of transfer to change accordingly.

Research Methods

A local cultural expert has declared all methods to be employed culturally appropriate, and all protocol has been approved by the Texas A&M University Institutional Review Board.

Data was collected using open-ended interviews and participant observation over two months in the Amazonas Region of Peru. Much time was saved in identifying informants and research sites from my prior two years experience living in the area. Interviews were conducted according to the guidelines set forth in Schensul et al. (1999). Special attention was paid to eliciting narrative experiences which would allow “interviewees to speak from experience about situations that illustrate points important for the… study” (Ibid. 1999:138). Permission to record was requested and, if granted, a recording device was used. Interviewees at the production level all allowed me to record. At the wholesale and retail levels, interviewees were wary of being recorded and politely refused. Interviews were carried out in Spanish and lasted approximately one hour. The open-ended interview method allowed for flexibility in length. Interviews were conducted at a time and place set by the interviewee.

Participant observation was conducted in accordance with DeWalt and DeWalt’s suggestion by, “noting the arrangement of physical space, the arrangement of people
within that space, the specific activities and movement of people in a scene, the interaction among people in the scene (and with the researcher), the specific words spoke, and nonverbal interaction, including facial expression” (DeWalt and DeWalt 2011:81). Participant observation took place in a variety of venues. First, I spent two weeks in the agricultural fields of Maria, Peru, with producers and, when possible, helped in their work. Second, I spent one week at the wholesale market in Chachapoyas, Peru, which is the primary destination for Maria’s products. Third, three weeks were spent between the two markets of Chachapoyas with sellers and restaurant owners and the general public who do business in those markets. Lastly, the remaining time was spent collecting demographic and background information to contextualize the study from the various governmental data collecting agencies in Chachapoyas.

Interviews were undertaken with individuals at all points along the agricultural market channel (farmers, transporters/wholesalers, market vendors, and state representative). All in all, I collected 25 interviews. I conducted ten interviews with farmers, two with transporters/wholesalers, ten with market vendors, and three with agricultural engineers and administrators of the local government. The lack of interviews at the transport/wholesale level is due to the fact that there was only one transporter/wholesaler operating out of Maria at the time of study. I employed a convenience and purposive sampling strategy. Convenience sampling was used, as no demographic data were available to form the sampling frame necessary for probability sampling. Purposive sampling was used because participants had to be involved in the
market of agricultural products. Since this study is qualitative and seeks no statistical significance, probability sampling was not necessary.

Interview topics revolved around five topics. The open-ended interviewing style makes a complete list of questions posed both not possible and unnecessary. First, a brief personal history was taken. Second, the interviewee was asked about his or her role in the agricultural market and to lead me through the process of obtaining products and moving them down the channel. Third, participants were asked to diagram the market channel of their products. Next, interviewees were asked to give examples governmental involvement, wage structure and social security mechanism, and the size and operational organization. These questions correspond to how we have traditionally understood the formal/informal divide as discussed in the literature review. Finally, interviewees were asked about the method of transfer in obtaining and vending agricultural products, how credit was handled, and the level of trust between actors. Alternatives were explored, as well as restrictions, which prohibit those alternatives from being realized.

Data was analyzed through domain analysis, proposed by Spradley (1979) and promoted by LeCompte and Schensul (1999). After transcription and translation, data were organized “by domain, by subdomain, or by factor, depending on how abstract the domain is,” which allows patterns to emerge from the data (LeCompte and Schensul 1999:72).

This study had two main research sites: Maria, a small peasant village, and Chachapoyas, a small city. Both sites are located within the Amazonas Region of northern Peru (see Figure 1). The village of Maria is in the province of Luya and the
district of Maria (see Figure 2). The city of Chachapoyas falls under the province and
district of the same name (see Figure 3). The political boundaries represented no
significant barriers to research, and the two are separate by three hours in car. The two
sites were selected based on preliminary research, which suggested that agricultural
products from Maria found their way to market and retailed in Chachapoyas. Thus, they
form a market channel from production to consumption.

Maria’s population is listed as 855, and almost the entire population is directly
engaged in agricultural production (INEIC 2012). Chachapoyas’s current population is
listed as 23,202 (INEIC 2012). Chachapoyas’s labor force consists of 20% university
educated professionals, 20% service industry personnel, 20% unskilled workers, 10%
office personnel, and 5% involved directly in agriculture (INEIC 2012). Ecologically,
the Region of Amazonas falls within a cloud forest, a tropical or subtropical region
characterized by persistent cloud cover and high levels of rainfall. The region lies on the
eastern edge of the northern Peruvian Andes between the high mountains to the west and
the Amazon rainforest to the east, and “straddles a geopolitical fault line of sorts,
simultaneously occupying the margins of two major political-ecological zones” (Nugent
CHAPTER III

LITERATURE REVIEW OF PERUVIAN AGRICULTURAL MARKETS AND PEASANTRY: HISTORICAL AND CONTEMPORARY PERSPECTIVES

The rich and volatile history of the Peruvian peasantry still influences the way in which goods and services are exchanged there today. This history is divisible into three distinct periods. The first period saw a transition to a capitalist mode of production and modernity. Attempts at agrarian land reform constitute the second period. The third period is characterized by Peru’s decade of terrorism and authoritarianism. It is important to note that many of the studies reviewed here are not histories, per se. Rather they were contemporary studies conducted during or immediately after the period (now historical) that they describe. I follow this historical review with studies that examine and analyze contemporary market conditions in Peru.

Also important to point out is that nearly all of these studies focus on either the south or central highlands of Peru. Nugent (1997) is an important exception as are Babb (1989) and Taylor (2006), though to a lesser extent. The northern highlands, the location of the present study, exhibit a unique historical trajectory that makes much of that literature less applicable. Nonetheless, I argue that an understanding of any local region must be framed by a discussion of broader, national trends. That said, any study of the Peruvian peasantry and its markets would be remiss if it failed to mention the important literature about historical development and contemporary market conditions at a national level. Unfortunately, a related reason is that literature on the south and central highlands
is simply all we have by way of understanding and framing this study on Peruvian agricultural markets. Finally, by highlighting the south and central highlands and contrasting their development with that of the northern highlands, we can illuminate the factors that have led to the unique market conditions that we find in the north.

Capitalist Transition and Modernity: 1860-1940

The Peruvian markets from 1860 to 1940 are characterized by the transition to a capitalist mode of production (Mallon 1983) and the expansion of power of the central government power and modernity into the remote regions of Peru, Amazonas being one of them (Nugent 1997).

Historian Florencia Mallon (1983) analyzes this time period from the perspective of the central highlands of Peru. “It begins when a noncapitalist mode of production was dominant, though with some emerging capitalist tendencies in the sphere of exchange. It follows the region through a long period of articulation between modes, during which capitalism slowly became dominant” (Mallon 1983:7). Her work describes transitions, which mirror three developments in that period of Peruvian history. The first period, 1860-1900, analyzes the way in which “a particular sector of the Peruvian elite…attempted to tie into, and profit from, the new world market system developing around English” (Mallon 1983:9). She refers to this period as the period in which “peasants confront[ed] commerce” (Mallon 1983:15). The second period, 1895-1930, addresses the decades “in which capitalism… became the dominant mode of production in the Peruvian social formations as a whole” (Mallon 1983:9). She characterizes this period as the period in which “peasant confront[ed] industry” (Mallon 1983:125). The
third period, 1930 and beyond, focuses on the “effect of the world depression in Peru” (Mallon 1983:10). She refers to this period as the period in which “peasants confront[ed] poverty” (Mallon 1983:247).

Mallon contends that “what made the transition possible was the rise of an agrarian bourgeoisie that... was able to convert its accumulated wealth into capital by developing agricultural enterprises based on the exploitation of wage labor” (Mallon 1983:8-9). It was through increasing peasant debt to the new agrarian bourgeoisie that allowed the latter to becoming a dominant force at the village level. Mallon argues, “The penetration of capitalism “did not mean increased prosperity or development, but rather decreasing access to resources and greater insecurity in a market society. In short, [for the peasantry as a class, capitalism led to] increasing poverty and pauperization” (Mallon 1983:8-9).

So in the central sierra of Peru, we see an increased reliance on a new agrarian bourgeoisie and decreased access to resources during the late 19th and early 20th centuries. This is markedly different from the northern highlands during that same period. To evidence this difference, we must now turn to Nugent’s work that describes the same period.

Nugent’s (1997) study deals with the expansion of state control into Amazonas. The theoretical importance of Nugent’s work is that it challenges traditional notions of nation building and implementation of state control. “The process by which state and nation took on a tangible presence in the Chachapoyas region inverts and reverses the
scenario invoked by most analysts of state-building and nation-making” (Nugent 1997:12). Nugent explains:

Most discussions are based on an implicitly oppositional model of state-society relations. In such models, building the nation-state is depicted as a process in which the state-through a combination of coercion and cooptation- must impose its central institutions and cultural/moral values on the recalcitrant local population. [Nugent 1997:8]

However, in Chachapoyas and its surrounding environs, peasants welcomed the change. “Commerce, modernity, and the nation-state were regarded as liberating rather than threatening forces- forces to be embraced rather than resisted” (Nugent 1997:12-13). Thus, the state was equated with a modern, progressive force and welcomed in the northern sierra.

In Amazonas, the interrelated issues of an introverted market and control of land make the north unlike the southern and central sierra. Nugent explains, “It was key that the regional economy was so introverted, and that little in the way of regional production or labor participated in external, commercial markets. In terms of the ability to commercialize foodstuffs, peasants and hacendado alike were limited to regional exchange networks and regional sources of demand” Nugent 1997:28-29). The consequence was that, for the privileged classes, there was little economic gain to be made in agriculture, and there were no real attempts by elites to either gain control of land or employ a high level of wage labor. Therefore, the northern peasantry retained
ownership of their own land early on, and Nugent argues persuasively that these conditions are unique to Amazonas.

Thus, the agrarian reform of the 1960s and 1970s, the next period featured in the literature, had little affect on the northern sierra. Most control of land was already in the hands of the peasantry. However, it is vital to the political trajectory of agriculture and markets in Peru to understand the agrarian reform. It is represented well in the academic literature on agricultural markets in Peru and forms the basis of the next section of this chapter.

The introverted market, to which Nugent refers in the above quote, remains an accurate description of the Amazonas market today, at least in terms of agricultural products. Food products, potatoes in this case, rarely make it past the bounds of Amazonas even today. This is not because of any official political restrictions, but rather geographic isolation. While the infrastructure has greatly improved since the period under consideration in Nugent’s work, Amazonas is still largely isolated from other, larger markets.

_Agrarian Land Reform of 1969_

One of the most important moments in the recent history of agriculture and markets in Peru is the Agrarian Reform Law of 1969 (Figueroa 1984; Guillet 1979; North 1981). By the latter half of the 1960s, the Belaúnde government had failed to live up to its promise of reform, and in 1968, the Revolutionary Government of the Armed Forces seized power. Among the myriad of reforms enacted by that regime was an
attempt to redistribute land according to the maxim that “land belongs to those who work it” (Figueroa 1984:86). The Agrarian Reform Law of 1969, which was enacted by the Revolutionary Government of the Armed Forces, transferred 40% of total land to 360,000 families (Figueroa 1984:86). Below, I review some of the more important works that detail the agrarian reform project, all of which ultimately characterize the military government’s attempts as failures.

North’s (1981) work on the agrarian reform of 1969 is the most concise summary of agrarian reform period. This work situates the agrarian reform law of 1968 in respect to long-term historical developments. It also examines the impact of the agrarian reform program with respect to the broader political model and development goals of the military government.

By 1968, the Peruvian political system was in a state of profound crisis (North, 1981). Political mobilization in the rural highlands had increased drastically during the 1960s, and the country’s political systems appeared less and less capable of addressing the issue. “Probably the events best known outside Peru were the peasant movement headed by Hugo Blanco between 1958 and 1963 in the southern highland department of Cuzco… and the guerilla fronts which engaged the regular army for several months during 1965” (North 1981:105). At the same time, progressive political thought had become important within the military’s leadership. “As the political crisis…evolved, leading the military to address social and economic issues related to matters of internal security, and to question the rationality of the very order they had so effectively supported, the officer corps was able to engage in this critical enterprise” (North
The convergence of these factors led to the ousting of the Belaúnde government and the establishment of the Revolutionary Government of the Armed Forces in 1968 (North 1981:104-116).

According to North, the newly formed military government enacted a series of important reforms: “nationalization of foreign enterprises in the primary sector; expansion of the state’s planning capacity through ownership of basic industry and controls on private enterprise; and agrarian reform” (1981:116). With respect to agrarian reform, immediately goals were “to increase rural incomes, strengthen commercial farming, and increase production by rationalizing the ownership structure” (North 1981:117). North notes that the goal of agrarian reform was not the socialization of agriculture; however, as it was implemented and modified, it became “the most radical of its kind in Latin America outside Cuba” (North 1981:117).

Guillet (1981) describes further how, in 1968, the Revolutionary Government of the Armed Forces seized power from Fernando Belaúnde’s government. In doing so, they attempted to enact a series of reforms aimed at socio-economic development, which included:

A new code for governing the contractual relations between Peru and foreign enterprises, a new law on water control, a new education law stressing bilingual and bicultural education, a reorganization of the State banking, tax and credit systems, and a reorganization of the government bureaucracies concerned with rural and urban development. Perhaps one of the most unexpected, given the traditional relation between the military
and the agrarian elite in Peru, has been the agrarian reform. [Guillet 1979:1]

Accordingly to Guillet, the agrarian reform law was an attempt by the military junta to resolve the traditional inequity of land tenure in Peru, which was thought to be a major barrier to development (1979:1-2).

These reforms attempted to circumvent problems associated with other reform projects in Latin America, including Venezuela, Colombia, Bolivia, and Mexico. The regime attempted to resolve directly the most immediate problem of the traditional socioeconomic system by the redistribution of land…according to the principle that land belongs to him who works it. Reforms were first implemented on the highly productive sugar plantations of the north coast, and its “successes” were well publicized as implementation began in the sierra. This reform movement also included provisions for the cooperative management of expropriated land, technical assistance, and a system of priorities of the order in which regions would be affected (Guillet 1979:3). This last characteristic is the most important to Guillet, and he focuses on participation in the Cooperative Tupac Amaru II, which is described as a failure. Guillet describes several reasons for the difficulties in realizing this participatory approach in the context of cooperative management, two of which have a bearing on this study as they culturally distinguish the south-central peasantry from the northern peasantry.

The content of communication, from project planners to peasants, was extremely legal and complex in the form of laws, annexes, and legal documents and required an educated reader to decipher. Most peasants in Guillet’s study speak Quechua, which is
not a written language; however, none of my informants in Amazonas speak Quechua, and their families have spoken Spanish as far back as they can remember. Indeed, I have never met a native Quechua speaker in over two years’ experience living and working in Amazonas.

Another communication related issue described by Guillett was that of power. In a largely illiterate, indigenous population, the “ability to manipulate information originating in the larger society can be an important source of power for the broker operating at the local level” (Guillet 1979:166). All informants with whom I spoke in Amazonas were literate. At very least, they proved very adept at reading and interrogating me over my study information and informed consent documents. As well, the issue of indigenousness is problematic in the north. Many of the struggles in the south-central region, including the years of terrorism described below, are built upon an indigenous identity. The name given to the cooperative in Guillett’s study (Tupac Amaru II) refers to a leader of an indigenous uprising in the colonial period. The population in this study does not express the same indigenous identity. In fact, referring to a person in Amazonas as indigenous would, at least, be considered a mild insult and, at worst, would be considered fighting words. My informants all indentify as mestizo and attempt to highlight the European aspects of their ancestry.

Guillet also describes problems with structural incongruity. This problem speaks to the issue of reciprocity, which is a major form of exchange highlighted above. Guillet explains:
“The incompatibility lies at two levels: at the loci of short-term and long-term production decisions. Peasants operate household economic units and make decisions allocating factors of production at their disposal. In the cooperative, on the other hand, short-term production decisions are a responsibility of an individual or set of individuals delegated authority by the upper levels of the cooperative. As such, members of the cooperative do not have any into short-term production decisions…Long-term production decisions in the household are concerned with reciprocity, redistribution, and renewability of resources. They are oriented to the viability of the individual household over time. Long-term policy does not usually involve the collective exploitation of resources held by the community. [Guillet 1979:172]

In this respect, the south-central sierra exhibits at least one of the methods of transfer I hope to find in Amazonas, reciprocity. However, there is a big difference in terms of collective resources. There is no evidence that any resources, namely land, are held collectively in Maria. All informants in this study own their own land and, for the most part, work their own land.

Figueroa’s (1984) work on capitalist development concentrates on the functioning of the peasant economy in the late 1970s. Figueroa notes that peasants’ incomes remained stagnant throughout that period. He notes problems with that particular form of capitalist development and examines hypotheses related to the peasant economy in the southern sierra of Peru. I outline those hypotheses for which Figueroa
finds empirical support and which are also important to the aims of this study. First, there is no absolute overpopulation in peasant economies but rather a relative overpopulation. Figueroa bases his support of this hypothesis on the importance of wage labor. For Figueroa, wage labor means temporary migration to external markets. “The fact that wage income is an important source in the total peasant income implies that the peasant family in general cannot derive even a subsistence income by the exploitation of their own resources” (Figueroa 1984:118).

This description is noticeably different than the reality of the Amazonas Region. Peasant incomes in Maria are derived primarily through the exploitation of their own resources and, to a lesser extent, through the sale of labor within the community. I suggest a couple of reasons for this. Peasants in the northern sierra own a larger amount of land than do the peasants in Figueroa’s sample. Thus, they can make ends meet through the exploitation of their own resources and subsequent marketing of products. Second, the northern highlands do not have the same large, urban markets (namely Lima) in which to sell their labor. While the city of Chachapoyas is characterized as an urban center, at just under 25,000 inhabitants, the labor market is understandably smaller than in Lima with roughly eight million inhabitants.

Another of Figueroa’s supported hypotheses relates to non-capitalist relations, namely the hacienda system. He finds a reduced economic link between peasant production and sierra haciendas than previously thought. He finds only 10% of the population engaged in non-capitalist relations. Thus, “the essential aspect of today’s peasant economy is its relations of exchange through the market” (Figueroa 1984:119).
As evidenced in Nugent (1997), the hacienda system was never as important in agriculture in the northern sierra because of a limited market. Thus, the importance of market exchange is similar in both the south and the north.

The period of land reform, especially the impetus for reform and the reasons for its ultimate failure, bring to light some important similarities and differences between the southern and central highlands and the north. North (1981) argues the main thrust of agrarian reform efforts was to restructure land tenure so that the land worker became the landowner. In the northern sierra, this was largely unnecessary as most peasants, at least in Amazonas, already owned their land. Guillet’s (1984) observations on the failure of agrarian reform highlight socio-cultural distinctions between the peasants in Peru. Guillet’s illiterate, Quechua speaking, indigenous population is not found in the northern sierra. Rather, we see a literate, Spanish speaking, mestizo population. Figeuroa’s (1984) analysis points to the importance of extra-communal wage labor in the southern sierra.

In reality today, the peasantry in Amazonas does sell labor, however it is done within the community. Figueroa also shows that the importance of non-capitalist relations, the hacienda system, is waning in favor of market relations. The importance of market exchange in peasant agricultural systems, then, is similar between the north and south, but the historical origins are different. The hacienda system was never that important to agricultural production in the north (Nugent 1997).

Terrorism and Authoritarianism: 1980-2000

From roughly 1980 to 2000, Peru saw a decade of terrorism and followed by a decade of authoritarianism. The decade of terrorism saw the rise of a Maoist political
party of an insurgent peasantry, the Shining Path (*Sendero Luminoso*), in the central and southern sierra. Subsequently, that same area saw years of military abuse aimed at quelling the insurrection. In total, the Truth and Reconciliation Commission report of 2003 estimates that 69,280 people lost their lives. 79% were inhabitants of rural areas, and 56% were peasants. Approximately 54% of fatalities came at the hands of the Shining Path (Taylor 2006:i-x). The violence and insecurity of the 1980s paved the way for a decade of authoritarianism and neoliberal reform under Alberto Fujimori. In this section, I briefly outline some of the ideological underpinnings of the terrorism, highlight Shining Path strategies, and relate the primarily southern violence to the northern sierra. Finally, I outline the main components of Fujimori’s attempted reform in the 1990s. In doing so, I show how this important period, reflected the literature on the Peruvian peasantry and markets, is largely not relevant to the north so should not be the lens under which that region is studied.

Starn (1995) describes the ideological origins of the Shining Path and four central pillars in the thought of its leader, Abimael Guzmán. Guzmán founded Shining Path in the late 1960s. The Shining Path began in the San Cristobal of Huamanga University in Ayacucho where Guzmán was a professor of philosophy. Starn explains the Shining Path’s ideological origins as socialist thought in a thin veneer of Incan revolutionary thought:

Some of the first Peruvian scholars to write about the Shining Path portrayed the party as an indigenous uprising in the tradition of the eighteenth century neo-Inca rebel Tupac Amaru II…The leader of the
Shining Path traced his political lineage through Marx, Lenin, and Mao, not Tupac Amaru II, Juan Santos Atahualpa, Manco Inca or any of the other Indian rebels in Peruvian history. [Starn 1995:405-406]

Ultimately, Guzmán claimed a unique “Peruvian Marxism” which represented “the highest development of Marxist-Leninist-Mao Zedong Thought” (Starn 1005:412). As such, we see that the Shining Path was, in its beginnings, not truly applicable to the north. Shining Path was based in the southern sierra and therefore geographically distinct. As well, it attempted to draw on an Indian ideology. As I argued above, my informants in Amazonas do not indentify strongly with an indigenous heritage. So from its onset, Shining Path would not have appealed to the northern peasantry.

Manwaring (1995) describes Shining Path’s plan of attack and outlines six overlapping stages of development, none of which concerned the northern highlands. I include it here, because it best tells the story of Peru’s years of terrorism. First, the organizational state lasted from 1962 to 1980. Manwaring writes, “During the 1960s and through the 1970s, Guzmán concentrated on doctrine and leadership development and on expanding his organization’s relationships with the relatively isolated peasant communities” (Manwaring 1995:161). In the 1970s, Shining Path established a presence in Peruvian universities, including the University of Huancayo, the National University of Engineering, and San Marcos University. In 1980, the military government that had dominated since 1968 held elections for the first time in over a decade. Second, between 1980 and 1982, the Shining Path moved to an offensive strategy. “Sendero bombed public buildings and private companies; hanged dogs and cats from lampposts as
warnings to functionaries and supporters of the illegitimate state; and initiated a series of
attacks on and assassinations of local public figures” (Manwaring 1995:161-162). 1980
represents the real beginning of terrorism and civil war that would plague Peru for the
next decade and more.

The third stage, 1982-1983, saw the generalization of violence. “It began in
March 1982 with a major attack on the Ayacucho Department prison and the Robin
Hood-like release of the prisoners. This operation was followed by another spectacular
event in December 1982. Sendero attacked Lima’s electrical grid, destroyed four high-
tension towers, and caused a complete blackout” (Manwaring 1995:162). As to the
general pattern of violence, “Moving into an area, Sendero will declare the region to be a
‘zone of liberation.’ Large numbers of community leaders, administrators, and other
‘traitors’ will be rounded up and, after a trial, will be hanged, shot, or beaten, depending
on the seriousness of their various crimes against the revolution” (Manwaring

The next three stages outline the Shining Path’s plan to take control of the state
and prepare for world revolution, which were never fully realized. The fourth stage,
1983-1995, saw the consolidation and expansion of political and logistical support bases.
“This phase of the revolutionary program is also known as the programmatic isolation of
the center, that is, of the capital city of Lima. From 1983 to the present, Sendero
Luminoso has been escalating and de-escalating ‘armed propaganda’ efforts as the
general strategy requires, but always expanding its political and logistical support bases”
(Manwaring 1995:162). The fifth phase, from 1989 to 1992, sought to besiege the cities
and bring about the collapse of the government. Unfortunately for the Shining Path, Guzmán was arrested in September of 1992. The sixth and final state, from 1992 to present (1995), was to prepare for the total collapse of the state and for world revolution. “Preparation for the collapse of the state and global revolution were new aspects of the general revolutionary plan, revealed from Abimael Guzmán’s prison cage at the time of his sentencing” (Manwaring 1995:163). As we can see, none of the six stages outlined by Manwaring involved the Peruvian north, with the obvious exception that world domination would include the northern highlands.

Scholars are still working through the consequences of the roughly 12 years of terrorism that Peru experienced. Most work on the topic was published during that period or in the immediate aftermath of Guzmán’s arrest in 1992, which essentially signaled the end of the Shining Path (Manwaring 1995; Starn 1995; Strong 1992). However, those scholars could not have known this. For example, Manwaring’s (1995) use of the presence indicates an ongoing conflict. Strong’s analysis, published in 1992, could not have anticipated the arrest of Guzmán in that same year. He posits that Guzmán’s death would be the “bitterest blow to the rebels,” as Guzmán turned 60 in 1994 (Strong 1992:258). It was his arrest, not his death, which dealt that blow to the rebels. In fact, Guzmán remains alive today, serving a life sentence in prison. It is only in the afterword that Strong notes that in preparation for publication Guzmán was arrested. This is all to suggest that the implications of the terrorist years in Peru have not yet been fully studied. However, Stern and his contributors (1998) have begun that work.
As I have argued, the years of Shining Path terror were primarily concentrated in the southern highlands, namely Ayacucho, and later the capital city of Lima. I am aware of only one scholar (Taylor 2006) that discusses Shining Path activities in the northern sierra, particularly the Cajabamba-Huamachuco region of the Department of Cajamarca, adjacent to the east of Amazonas. While Taylor offers an insightful analysis, the main thrust of his work is that the Shining Path was never truly able to gain a foothold in Cajamarca. As a Region, Amazonas is even more remote and removed from the epicenter of violence in Ayacucho than Cajamarca. Therefore, the Shining Path was even less successful. Neither the Department of Cajamarca nor the Department of Amazonas were ever declared to be in a state of emergency, and the impacts of the years of terrorism were not as profound in the north (Strong 1992:2).

Having had enough of a decade of terror and violence, in 1990, Alberto Fujimori, a political and ethnic outsider of Japanese descent, was elected to Peru’s presidency promising safety and economic stability. In 1992, Fujimori, finding the congress recalcitrant and impotent in dealing with Shining Path violence, disbanded congress, suspended the constitution, and purged the judiciary. From that point, he ruled, in what is usually referred to in the literature as Peru’s decade of authoritarianism, until 2000. Much academic work has been done on Fujimori’s decade in power (Carrión 2006; Oliart 1998; Stern 1998), and no doubt, much more will need to be done. 

\[5\]

\[5\] It is interesting that most work, of which I am aware, on Fujimori and his legacy was done during his years in office. The Fujimori saga continues. From his loss of office in 2000, Fujimori remained in political exile in Japan until 2005. He obtained a new Peruvian passport in
Perhaps Arce’s (2005) work is most germane to this study because of its concentration on market reform under Fujimori’s authoritarian regime. Arce’s central thesis is that “neoliberal reforms introduce a variety of societal responses, including the creation of new societal organizations, reflecting the variable content and asymmetrical distribution of the costs and benefits of the policies implemented” (Arce 2005:5). Though the sets of neoliberal reform policies of Fujimori’s regime are complex, Arce distills three initiatives involving state form in Peru: “tax reform, privatization of social security pensions, and social-sector reforms in poverty alleviation” (Arce 2005:11).

In terms of tax reform, the heart of the 1991 policy was aim at tax collection by simplifying the tax system and restructuring the tax office. It flattened rates, reduced income tax levels, and attempted to modernize the bureaucracy with only limited success (Arce 2005:20). In terms of the formal sector, big business successfully lobbied for “tax cuts and flexible tax enforcement (Arce 2005:21). In terms of the informal sector, new organizations of vendors emerged. For example, “In 1993, when the tax office attempted for the first time to enforce tax compliance in markets selling food products, associations of market vendors responded by organizing a series of strikes and refusing service to the public. The tax revolt led to the establishment of a simplified tax system

2004, and attempted to regain the presidency in 2006. He was arrested in Chile in 2005 and faced trial on charges of human rights violations from 2007 to 2009. He is currently imprisoned in Peru. In 2010, Keiko Fujimori, Alberto’s daughter, was a leading candidate for the Peruvian presidency, and it was feared that she would release him and do his bidding. Keiko lost that election to Ollanta Humala, the current president, but it is likely she will run again. All this is to say that the Fujimorises remain an active political force in Peru.
with a fixed monthly quota… which was the intention in the original government plan [anyway]” (Arce 2005:21-22).

It is unclear how this national attempt at tax reform relates to contemporary Amazonas and is beyond the scope of this study to trace out taxation in Amazonas historically. No producer or transporter/wholesaler among my informants reported paying taxes of any kind. At the retail market level, informants reported paying taxes; however, the taxes they pay may be more appropriately considered as rent payments. There is also no organization of retail market vendors.

The privatization of social security took place in 1992 and was roughly similar to that of Chile’s 1981 pension reform. The goal of the reform was to “supplements the insolvent pay-as-you-go regime with a capitalization system based on individual retirement accounts managed by pension fund administrators [and] … to increase national savings and the shelter workers from the bankruptcy of the state-run system by allowing them to choose their own pension fund managers” (Arce 1005:22). This also did not, or rather does not, correspond to the current scene in the agricultural markets of this study. No informants reported making any type of social security payment. In fact, I observed only a recently implemented, non-contributory form of social security, Pension 65, which has as its goal poverty alleviation. I discuss Pension 65 in detail in chapters four through six.

As to social-sector reforms, Arce notes reforms that attempted target poverty alleviation. In 1991, Fujimori created a new state agency called FONCODES (Cooperation Fund for Social Development). FONCODES aimed to stimulate the
demand-driven mechanism of other similar programs in Latin America, “whereby base-level community organizations… design and implement programs they think are best suited to their needs” (Arce 2005:25). While FONCODES has successfully funded projects aimed at the poorest of Peruvian districts, the individual projects themselves have been fairly short-sighted. “Most base-level community organizations that participated in the program tended to be project specific… The absence of enduring organizations or stakeholders suggests that the impact of FONCODES… has been mostly direct, immediate, short-term, and highly contingent on a constant flow of relief funds” (Arce 2005:25). While FONCODES continues to implement projects, whatever their shortcomings, I can find no FONCODES projects, past or present, that target agricultural production or markets in Amazonas.

Contemporary Market Conditions: Agricultural Communities, Middlemen, and Retail Marketers

Lastly in terms of this literature review, a number of scholars have looked at the different levels of agricultural markets in Peru (Brush 1977; Laszlo 2008; Radcliffe 1990; Seligmann 2004; Vandenburgh & Liu 2010). Here, I will review three of the most important works on agricultural markets in Peru that examine the three different levels in the agricultural market channel: agricultural communities, middlemen (transporters/wholesalers), and retail marketers. These works also form the themes of the subsequent chapters in this study. Mayer (1974) deals with exchange in agricultural communities and Scott (1985) with middlemen, namely rural assemblers and truckers,
which form the intermediary level between production and retail. Finally, Babb (1989) describes the productive processes of marketwomen at the retail level.

Mayer identifies the forms of exchange that are used in a peasant village in the central Andes that are all based in reciprocity. “Basically three forms of exchange are used: obligations based on pre-existing social ties, exchanges in which what is given is returned in the same way, and services that are rewarded by a given quantity of goods rather than by the return of the same service” (Mayer 1974:8). In Maria, the site of production for this study, we see two of these three forms of exchange, the first and the last. As I will define and describe in detail later, minga labor corresponds to obligations based on pre-existing social ties, and peon labor corresponds to services rewarded by a given quality of goods.

However, reciprocal relationships do not always work. Mayer identifies limits of reciprocal relationships, which exist where one or both parties fail to meet the burden of repaying a debt.

There are limits as to how far a reciprocal relationship can be stretched… Implicit evaluations of satisfaction are no longer acceptable and people may wish to bargain more opening… The point may also be reached when the ideology of reciprocity which justifies very unbalanced exchanges ceases to be acceptable to one of the partners…Nevertheless… the idiom of reciprocity can be stretched a long way and can encompass social exchanges that range from close family ties through political relations of
subject and authority, to economic relationships between members of
different social strata. [Mayer 1974:8-9]

At the limit of reciprocal exchange there may be more open bargaining, which resembles
a buyer-seller exchange, or an explicit and public reproach of the party failure to meet
obligation. We see the result of strained reciprocal exchange in Maria in another form of
labor exchange. As the reciprocal exchange, namely services rewarded by a given
quantity of goods, falters due to perceived laziness on the part of laborers, we see
another form of exchange appearing. In order to circumvent this perceived laziness,
labor is paid for by task done rather than for given quantity, per diem in this context.

A final contribution of Mayer’s work is the explanation of a “dual economy,”
which exists as villagers “migrate out of the region in order to work as wage laborers in
the mines, as traders in the region and in various kinds of occupations in the Lima
metropolitan area” (Mayer 1974:13). 6 The reason behind the dual economy is based on
the idea that each family unit should be self-sufficient.

The cultural norm is that each family should produce its own food in its
own fields. What is exchanged is mutual help in production rather than
products. Since services are exchanged in reciprocal forms, without which
no family can produce a harvest, strong cultural pressures are exerted on

6 Mayer’s use of dual economy goes against convention usage of the term. Dual economy
usually refers to two separate economic spheres existing alongside each other in the same
country. The difference is often based on whether the economy is capital intensive or labor
intensive. Mayer’s use of the term refers to migration to urban centers to supplement village
level income.
farmers not to take advantage of the labor services of other to produce a crop, which is then going to be sold for money. [Mayer 1974:12]

Thus, the reciprocal exchange, which defines most aspects of village life, proves a barrier to development and economic growth of families. This observation further distinguishes the northern sierra from the south. Of my informants, none reported migrating out of Maria to earn an income. In Maria, crops are grown with the unambiguous purpose to market in Chachapoyas.

In terms of the wholesale market level, Scott (1985) examines myths and common academic misconceptions in the marketing of potatoes in the central highlands of Peru. Scott focuses on rural assembly, what I call transport/wholesale, in an area located in the Mantaro Valley for which the main market is Lima. The myths are as follows.

The first misconception is that rural assembly is disorganized and inefficient. Scott finds little support for this hypothesis. He argues that “rural assembly is highly organized” and that “most potato shipments go directly from farmers’ fields to the capital’s wholesale market” (Scott 1985:134, emphasize in original). Thus, there is not inefficient chain of marketers in between production and consumption. The current study finds the same. Transporters/wholesalers go directly from the fields to the wholesale market in Chachapoyas. The second myth is that rural assembler’s margins are excessive. The reasoning behind this myth is that “rural traders allegedly impose on growers prices below production costs, through provision of credit or the exercise of monopsonistic market power” (Scott 1985:135). Scott finds no evidence to support this
hypothesis, and based on the evidence in this study, I concur. While the transporter/wholesaler (there was only one at work during the study period) could exercise monopsonistic market power, he does not. I will explain why in chapter four.

The third myth holds that high freight rates contribute to high marketing costs. “It is commonly believed that local monopolistic control over transportation results in high freight rates” (Scott 1985:135). For Scott, this is not supported in the evidence.

Data gathered for this study… suggest many coastal truckers lost money… Revenues from transporting goods from Lima on their return journeys were particularly low because there are not large provincial population centers near the capital that generate demand for trucking services. Consequently, freight rates from the countryside to Lima are the major source of revenue for the round trip. [Scott 1985:136]

I found that the transporter/wholesaler does not make the return trip. After his wholesale business is done, the truck is rented out to another wholesaler to do his business on the coast and pay all freight rates associated. Thus, the potato wholesaler from Maria does not assume to cost of the return trip.

The fourth myth holds that exorbitant margins of Lima wholesalers inflate consumer prices. Scott explains, “A few Lima wholesalers are said to monopolize the capital’s potato trade by creating barriers to entry into this line of business” (Scott 1985:136). Again, Scott finds this statement unsupported. In the case examined, wholesalers do create barriers to entering the Chachapoyan wholesale market. However,
they do not inflate prices to exorbitant amounts. Instead, the organization among wholesalers results in a flattening of prices according to the supply of potatoes. I will explain these two points in chapter five.

The fifth and final myth holds that potato consumption in Lima is declining due to increased prices. The logic goes that, in response to shrinking real (deflated) incomes and rising prices, potato consumption in Lima fell during the 1960s and 1970s. Again, Scott finds this hypothesis unsupported. “Retail potato prices in Lima- calculated in real terms- fell in the 1960s then rose in the 1970s. Nevertheless, they were lower in1977-79 than in 1960-62. Over the same period, reductions in real incomes appear to have stimulated potato consumption” (Scott 1985:137). Unfortunately longitudinal data, of the sort Scott uses, is unavailable to see how this myth would relate to similar developments in Amazonas.

Turning to retail markets, Babb (1989) examines the work of marketwomen in the north-central Andean town of Huaraz, located in the Department of Ancash. Her study deals with the work of market women through a perspective that takes into account gender and economics. Like Huaraz, nearly all retail marketers in Chachapoyas are women. Specifically, Babb makes a couple of observations that are pertinent to this discussion.

Babb deals with the economic status of marketwomen. That is, “Are marketers independent entrepreneurs or are there economic forces that constrain and subordinate sellers?” (Babb 1989:3). The answer to this question, according to Babb, is both. “On-the-job autonomy is generally considered an advantage of marketing, [however] an
increasing number of sellers are subordinate to larger commercial interests… located in Peru’s major cities… Many work as commission sellers for local interests, and some hold contracts with coastal firms. Others are simply wageworkers” (Babb 1989:3-4). Whatever their statuses, Babb notes that all marketwomen barely manage to make ends meet.

None of my informants in Chachapoyas reported working as commission sellers or under contracts from coastal firms. The wealth of retail marketers, relative to informants in the other two channel levels, seems to be greater. I contribute this factor to the fact that most retail informants, male and female, were married to spouses contributing differently to household income. At the production level, household income is based on agriculture, and both partners are dedicated to the agricultural endeavor. At the retail market level, marketwomen’s partners are usually employed in other enterprises. As such, their retail market activities represent only a portion of the household income. This is not to suggest that retail marketwomen are rich, only that they are marginally better off than producers.

Babb also describes attempts to restrict marketwomen’s economic activities. The reasoning behind these campaigns is that the alleged unproductiveness in marketing leads to higher prices at the retail end. Thus, “Campaigns have been launched to bring goods directly from producers and wholesalers to consumers and eliminate the small retailers… Under present economic conditions, retail marketing and street trade are not actually being eliminated but rather are being restricted and made the focus of media criticism” (Babb 1989:4). In Chachapoyas, I observed no such attempt to restrict or
inhibit retail marketers. In fact, most retailers enjoy a relatively friendly relationship with both their wholesale suppliers and the consumers who purchase from them.

**Summary**

To sum up this literature review, our historical and contemporary understanding of the Peruvian peasantry and its markets is restricted to the southern and central highlands, leaving the north’s historical trajectory mostly unstudied. We might be tempted to assume that the north followed roughly national trends; however, there are important historical distinctions that make contemporary market conditions unique. I argue that this makes the north an even more interesting region for study.

**Historical Perspectives**

First, from roughly 1860 to 1940, the southern and central sierra saw a transition to a capitalist mode of production, increased poverty, and decreasing access to resources. At the same time, Amazonas saw a transition to modernity, democracy, and increased participation in national politics. In Amazonas, the peasantry retained control and ownerships of land. Second, and as a result, the Agrarian Reform Law of 1969, so important to the development of the south and center, had little reason to alter the land tenure situation in Amazonas. The failures of agrarian reform point to important socio-cultural differences (language, literacy, and ethnicity) in the peasantry between regions. The geographic center of the years of terrorism was in the southern highlands and Lima. Ideologically, the Shining Path based its philosophy on a neo-Incan and indigenous revival, identities not shared with the northern peasantry. While ultimately Shining Path
plans would have encompassed the north, Abimael Guzmán’s arrest in 1992 signaled the end of the crisis. The subsequent years of authoritarian rule under Fujimori had little effect on the north. In terms of Fujimori’s tax reform, it is unclear how it applied to the north. What we do know is that no informants in this study pay taxes. In terms of social security reform, we know that no informants contribute to any social security fund, and few receive non-contributory benefits. Finally, social sector reforms aimed at poverty alleviation under Fujimori have not reached the Amazonas.

Contemporary Market Perspectives

In terms of contemporary market conditions, Mayer’s (1974) work proves helpful in highlighting various forms of reciprocal exchange at the production level, which we see in this study’s population. In observing the limitations of reciprocal exchange relationship, we can also account for a new form of exchange emerging in Amazonas, described in chapter four. In terms of wholesale, Scott’s (1985) sample of transporters/wholesalers in Lima shows many of the same characteristics of transporters/wholesalers in Chachapoyas. As to retail market conditions, Babb’s (1989) sample, from the north-central highlands, is distinct from Amazonas. In Amazonas, my informants were all independent entrepreneurs, not commissioned sellers or contractually bound sellers for larger, coastal enterprises. Furthermore, I observed no campaigns to undermine or restrict retail marketers’ economic activities.

There is far less information about the north to describe the historical developments there that led to contemporary market conditions. Currently, we understand that region only through our knowledge of developments in the southern and
central highlands. It seems unlikely that we can generalize and extend that knowledge to the north, a region that experienced those developments differently or not at all. In the present thesis, I provide a market study of a region with a unique history of land tenure within Peru; a description of a population that can be differentiated by language, literacy, and ethnicity from other Peruvian peasants; and a description of an area that has not been nearly as affected by 20 years of terrorism and authoritarianism.
CHAPTER IV
PRODUCTION

Maria, Peru

The town of Maria sits precariously on a mountainside, so that the rise provides the fourth wall to many of the town’s structures. The mountainous terrain surrounding Maria is covered in an impressive patchwork quilt of agricultural plots of various crops in various phases of production, most of which belong to residents of Maria. The scenery provides a pleasant photo opportunity for the hordes of tourists that pass through daily, coming from Chachapoyas and on the way to the Fortaleza de Kuelap (Kuelap Fortress). Maria straddles the highway connecting Chachapoyas with Kuelap. “Highway” is a generous term for this dirt path that bisects the town and provides for a jarring ride in even the most capable of off road vehicles.

Maria’s plaza, with its requisite municipal building and Catholic Church, is found down the slope from the main thoroughfare connected by a sort of three-dimensional trapezoid of cobbled pathways (see Figures 4 and 5). Above the highway, a rock stairway narrows as it climbs up the slope. The stairway provides access to the homes that flank it on both sides. All in all, the center of Maria is approximately two blocks (along the highway) by four blocks (up the mountain). The town takes on a triangular shape with the plaza at its base and homes extending up the steep slope. Indeed, when one asks for directions in Maria the response usually offers one of two suggestions: go uphill or go downhill.
All structures in the town are of adobe bricks with roofs of clay tile or corrugated iron. The built environment is typical of towns in rural Peru. Some structures are in a state of perpetual, piecemeal construction, and some are steadily crumbling. Most fall into the latter category. Buildings in and around the plaza are better kept, and as a general rule as one walks up through Maria they become more humble and less frequent. Eventually, they trail off into fields.

During most hours of the day, Maria has a relatively empty feel, spare the occasional group of women gathering to gossip on wooden benches outsides their homes or more frequently a man enjoying too much aguardiente (cane liquor) on his day off. Mostly livestock, chickens, and stray dogs populate Maria during the day. Men leave for the fields before sunrise, usually packing a small lunch, a battery powered radio, enough coca leaves for the day, and a small bottle of aguardiente for the cold. Women in Maria tend to stay in their homes in charge of the family’s domestic responsibilities, while the town’s children leave early for school. In the early afternoon, there is a sort of small town rush hour as they leave school with the pent up energy of children having sat too long. Older boys on the family dirt bike, if they are lucky enough to have one, attempt to sweet talk their female classmates into an afternoon joyride. Despite the cold, all ages enjoy the cheap frozen fruit popsicles sold by Maria’s only restaurant on their way home. The only other passersby in Maria are going to or coming from Kuelap. Construction crews, improving Kuelap’s tourist facilities, drive by occasionally offering rides to farmers trudging up to their fields. Vans loaded down with tourists pass through
faithfully at 9:00 a.m. and return for a late lunch at 3:00 p.m. before returning to the tourist base at Chachapoyas shortly thereafter.

As to businesses, Maria has little. Maria claims three hotels. In reality, these are spare rooms in the homes of some of the town’s more affluent residents. There is no signage advertising their presence, and they only rent to visiting family or friends of family. There are several *bodeguitas* (small neighborhood convenience stores). The exact number is impossibly to know, as anyone with a door to the street and something to sell is a potential *bodeguita* owner. There is an artisan shop selling tourist items, mostly woven bags and woodcarvings of Kuelap. However, this store was never open for business during the time this research was conducted.

The most prosperous business in Maria is the *Restaurante El Mirador* (Lookout Restaurant). It is the most obvious business in town. In fact, it is the only business identified as such by black lettering on its building. The *Mirador* sits on the main street, overlooks the plaza and as the name suggests, it provides an impressive view of the Peruvian Andes. The restaurant’s success depends on the vans of tourists passing through to Kuelap daily. The *Mirador* is contracted by many of the tour agencies in Chachapoyas to provide lunch to tourists as they return from a morning hike around Kuelap. As the *Mirador’s* prices reflect a relatively wealthy tourist clientele, most people from Maria rarely eat there.

Administratively, a mayor and his staff (one secretary), run the municipality of Maria. The mayor’s office has a four-year term with no term limits, and the mayor must be between 35 and 50 years old. Admittedly, I know little about the mayor and what he
does, because the mayor and his secretary consistently denied interview requests. My informants knew little about the office aside from a project to bring seed to Maria, described below. I take this to mean that the municipality plays a small role in their day-to-day lives.

As to services provided, there is a school in Maria, which virtually all children attend. The school teaches the equivalent of high school in the morning and elementary school in the afternoon. Maria has only a handful of permanent teachers, but others, especially in math and science, are brought in on Thursdays and Fridays. Most children graduate high school at approximately 16 or 17 years old, which is the norm in Peru, though they are working with their parents in the fields long before that. The majority of households, especially those in the center of Maria, have electricity for which they pay according to usage. Most households have running water for which they pay 5 Soles per month regardless of usage. There is a small hospital in Maria, which I discuss below. There is no permanent police force assigned to Maria.

The majority of households in Maria are nuclear. That is, they consist of a husband, wife, and young children. Married children tend to move out of their parents’ homes, if only to a nearby residence. All of my informants owned their own land, usually a considerable amount, and occasionally bought or sold parcels. Land is spread throughout the countryside in and around Maria. Much of the land is so far from the center of Maria that makeshift, adobe buildings have been erected so that farmers can

\[7\] 1 Nuevo Sol was approximately .39 U.S. Dollars at the time of study.
stay for days at a time. Land tends to be held by the parents until they reach an advanced age, at which point it is split equally among children. However, for all practical purposes, control of some of that land is given to children when they reach an age at which they can plant themselves. The high level of cooperation within families makes the problem of fragmentation less important in Maria. For example, a farmer may plant his sibling’s land without having to compensate said sibling.

The overwhelming majority of residents of Maria make a living in agriculture. Even the well-off owner of the Mirador, an ex-mayor of Maria, still attends his fields personally, while his wife manages the restaurant. All spare space in the countryside and around the plaza that can produce crops does (see Figure 6). Even household courtyards, so typical of Latin American architecture, are potential fields. It is in this context, a small village in the shadow of the pre-Incan fortress of Kuelap, that potatoes begin their journey to market.

Farming Potatoes

Many factors go into the decision to cultivate potatoes. The agricultural cycle is usually referred to as a campaña (campaign), and requires farmers to consider a variety of questions. The first decision is the climate. While the region’s climate and altitude allow for continual cultivation year round, later months in the year, September, October, and November, allow for the highest crop yields. The rains in January, February, and March make farming more risky. However, with risk comes reward. The higher yield months increase production, therefore supply, throughout the region and drive prices down. Even a good harvest might mean a loss for farmers if the price of potatoes is low.
Conversely, farming in the off months is risky; however, if a decent harvest can be obtained, the financial rewards are much greater.

The second consideration seeks to mitigate the risk described above and that is how much to plant. Informants reported that one campaña may be as little as three sacks of potato seed planted in more of a garden than a field or as large as 50 sacks planted over a quarter of a hectare.\(^8\) A campaña much larger than that involves a risk that farmers are unwilling to take and an amount of capital investment that few have. Even the smallest of harvests in an off month can yield impressive gains.

The final factor that farmers consider is the amount of capital available for a campaña. Ideally, prior campaña\(\text{s}\) have left farmers with a decent amount of capital to reinvest in production. More capital allows for further risk taking and the opportunity for more substantial returns. However, investing in agriculture is always risky. As one informant put it, “planting potatoes is always a question of luck.” Results are not always what are hoped, and a failed campaña results in a significant loss of capital.

After the decision to embark on a campaña, there are two to three months of preparation in which two things happen concomitantly. First, seeds must be prepared. After the last harvest, the smaller potatoes are separated out to become seeds, and the bigger potatoes go to market. The smaller seeds are put in a seed house, a structure of wood that holds the potatoes approximately 60cm above the ground. The seeds are kept

\(^8\) While a sack of potatoes (saco de papas) may seem an unreliable measurement, they are actually precisely measured. One sack, referred to as a quintal, weighs 50 kilograms.
here until they germinate in approximately two months. The seeds are ready when they germinate, or as these farmers say, “until their eyes open.”

At the same time, the land is prepared for planting. There is a fallow period, but since most families own more land than they can plant at one time, land is often left unused long after a sufficient fallow period has passed. Sometimes the fallow period can be shortened with the use of additional fertilizers. If land has been left fallow long enough, burning may be necessary to clear it. The preparation consists of a combination of plowing, decomposition, and making lines or furrows (*surquillos*) in which to plant the seeds. The process should take a maximum of three months, depending on the rains. More rain makes the process faster. The plowing is done with a team of castrated bulls hitched to a simple, ard-like plow. Plowing is done every fifteen days until the farmer deems the land sufficiently rotted to plant. Three to four times is sufficient. One hectare takes farmers in this region approximately three days. It is necessary to hire labor for this step, and the amount of labor depending on the size of field. The land is then furrowed in one-meter increments and is ready for planting.

Potatoes are planted according to what size is desired. If the harvest is to be used as seed, potatoes are planted approximately 30 centimeters apart. If the *campaña* aims to produce potatoes for market, seeds are planted anywhere from 30 centimeters to one meter apart. The larger the distance, the larger the potato grows. Seeds are planted with fertilizers, natural and chemical depending on the farmer. Planting should take approximately one day per hectare with the use of help. The potato is “born” (foliage appears) after approximately 20 days to one month.
At that point, farmers begin a process of spraying chemical (fumigación) to protect against disease and insects and weeding (deshierba). When all is said and done, one crop is sprayed or fumigated from ten to 12 times. Spraying chemical is done with a motorized, plastic backpack. Informants reported that this must be done carefully to avoid sickness from the chemicals. Weeding punctuates the spraying. Fumigation is done three times between weeding. This process continues for approximately three and a half months.

After three months, the potatoes are ready for pruning (aporca or poda) and are given hormones. In pruning, the stems and foliage are cut off. From then on the potatoes mature quickly. They are given a remedy of hormones, which makes them “give good fruit.” In total, the campaña takes approximately six months from field preparation to final harvest. Of these six months, approximately two are dedicated to preparation. After planting, the potatoes take one month to begin to grow. Fumigating and weeding, the “control” period as it is called, takes two to three months. The potatoes are then pruned, and shortly thereafter they are ready to harvest.

At harvest, potatoes are dug up and put in sacks. These are either consumed by the farmer, transported to a seed house for the next campaña, used to pay laborers, or carried to the highway for the market. Potatoes for market are loaded onto mules or steers (castrated bull) or carried on the backs of farmers. This process is the most labor intensive as the highway may be a good distance from the field. As such, Marians are likely to rely on friends and family in harvest times in a reciprocal exchange of labor
referred to as *minga* labor, which I will describe below.\(^9\) Harvesting is always done on a weekend, as the wholesaler makes his pick-ups on Sunday or Monday. When all products reach the highway, farmers wait with their harvest until the wholesaler passes through with his truck. The wholesaler pays the farmer whatever he thinks he can get in the market. There is no negotiating. When the wholesaler has bulked a sufficient amount of potatoes, anywhere from 500 to 1500 sacks, he leaves for market. This marks the end of the production process.

*Production and the State*

Marian’s relationship with the state is one of ambivalence and disinterest. Some are hopeful that this will change, and some are content to be left alone. Marians pay no taxes and the area is unmonitored by the state. However, the ministry of agriculture indirectly monitors production based on the products that arrive to the wholesaler market in Chachapoyas. As potatoes are planted for a variety of reasons, self-consumption or seeds for example, this is an incredibly unreliable measure of total production.

Economically speaking, farmers conceive of the state as basically a source of aid, one that is not living up to expectations. In some ways they have given up on the state, and its presence in their lives is really considered nonexistent. Some see how state involvement would be beneficial. Some would consider it intrusive.

However, to say that the state has no place in Maria’s production process would be inaccurate. The state does help in ways that are important to production. The issue is

\(^9\) I am unsure what to call residence of Maria. In fact, people from Maria are not entirely sure what the correct term would be. I choose to call them Marians for lack of a better term.
that Marian’s do not see it as such. I will give two examples. The state, through the office of the mayor, is currently working to obtain a new variety of seed (tuberculino) to replace the old, worn out version (huayro) with which farmers are currently working.

Second, Maria has a hospital, subsidized by the state, which services the community at little to no cost to it. Marians do not interpret these things as coming from the state but more personally as the generosity of the state’s representatives who are their friends and neighbors. I will return to these cases below.

Again and again, when I asked informants about the role of the state in their lives, the question was interpreted in terms of aid or support, and was responded to with a mixture of facetiousness and derision. Marians contribute nothing to the state in the form of taxes, and they expect little “in return.” Interviews with Sara and Noelia, both in potato production, illustrate this point. Sara lives on the outskirts of Maria with her husband, Benito, and son, Toribio, both of whom drink heavily. Despite their advanced age, Sara and her Benito still work in the fields, though Toribio, for all intents and purposes, runs the family’s agricultural enterprise. Sara and Benito have four children in total. Two of them, a daughter and son in their 40s, have married, live in Maria, and work land given to them by their parents. Another daughter left Maria for Chachapoyas with her husband at the age of 16. They are now divorced, and she owns a successful restaurant in Chachapoyas. Toribio is unmarried and lives on his parents plot in Maria in a separate house, which also serves as the family’s storage unit. While Toribio is still hopeful about the prospect of marriage, his age (46) and drinking problem makes him an unattractive option for the single women of Maria. As I stated, Benito and Sara’s land
will be equally passed down to all for children, even the daughter who lives in Chachapoyas. She has no intent to use or sell that land, and it is likely that Toribio will use it as he sees fit. Noelia, the second informant, was less forthcoming with information about her family. She lives in a nicer home in Maria’s plaza. She is married, but her husband was away working in his fields when I spoke with her while she attended the family’s small courtyard garden. Noelia is approximately the same advanced age as Sara. To ask them their exact ages would have been considered rude. I assume they are both in their late 70s. The two are lifelong friends and spend many days knitting together. Sara told me, with a laugh, “They [the state] help us with nothing.” Noelia echoed this sentiment and immediately interpreted the question in terms of support. She replied succinctly and forcefully, “There is no help from the state.” Attempts to probe the issue further were always met with the same matter-of-fact responses that the state did nothing.

Pascual, another potato farmer, explains the lack of state involvement as a disinterest on the part of the state, but he is hopeful that someday this might change. Pascual is a younger man, approximately 25 years old who lives with his wife and baby girl on the extreme outskirts of Maria. When I first went to their home, his wife was alone with their child and refused to speak with me without Pascual present. However, she was willing to take me to Pascual, who was engaged in the furrowing one of his fields. Pascual reluctantly took a break from his work to speak with me. As he explains, “The state does not help us. They are not interested in farmers. We plant personally.
We are not organized in this business of potatoes. Maybe later they will help us. Maybe they will advise us in planting, but until now we do not have that support.”

Not all informants shared that hopefulness expressed by Pascual. A conversation with Toribio reveals that state involvement would be seen as an unwelcome intrusion. I interviewed Toribio in the afternoon outside his home, which is approximately 20 meters from his parents’ (Benito and Sara) home, when he was arriving home from a morning in the fields. I was lucky to catch him before his habitual afternoon drinking started. When asked about how and if he interacts with the state, Toribio replied with a scoff.

“No, everything is free. The business is free… The business is personal. Each person knows how to sell his produce…Personal is better.” By characterizing the lack of state involvement as “free” and “personal,” we can assume that if state became involved the business would not be “free” or “personal.” Thus, the lack of state involvement is seen as a positive in terms of personal freedom to produce as each person sees fit.

While Marian’s do not recognize or admit the connection up front, the state is actually involved in production in both direct and indirect ways. The municipality, under the direction of the town’s mayor, is currently in the process of buying a new seed variety and preparing it for production in Maria. As mentioned previously, the old variety of seed is wearing down in terms of production and disease. The new variety was purchased from an agricultural agency in Cajamarca, a city of roughly 240,000 inhabitants approximately 12 hours by bus to the southeast of Maria and Chachapoyas.

An interview with Pablo, another of Maria’s producers, will illustrate why Marians do not equate this project with the state. Pablo, is approximately 30 years old,
and lives in Maria’s plaza next to the municipal building. He is married and has no children. Pablo considers himself one of the more progressive farmers in Maria due to his use of organic fertilizers. He is very proud of the fact that he is one of only a few farmers that produces “natural products.” Pablo explains, “Lately, we have begun to bring seed from other places because the seeds here are getting tired. Everyday it has more plague and more deficiency. It does not produce well anymore. So we have started to bring seed from other zones with the help of the municipality. We have brought the [new seed] from Cajamarca especially.” For the most part, Marians were grateful for the mayor’s efforts and will no doubt take advantage of the opportunities for the new variety of potato. I interpreted this as a direct, positive form of state aid, but Marians do not see it that way.

There are several reasons that Marians do not interpret this as state involvement. First, Marian’s see the project as an initiative of the town leadership. Because of the close social relationship between the mayor and farmers, the mayor is not equated with the state. The mayor is a farmer, though currently his position does not allow him to engage in campañas. Presumably, he will return to his fields when his time as mayor ends. As such, he is one of them, not the state. Indeed Pablo’s above use of “we” signifies inclusion. As I probed the issue in terms of the state, questions were continually redefined in terms of the municipality and “our mayor.” When I asked Pascual about the role of the state in production, he replied, “Up to now, we have no support [from the state]. Our mayor has brought a new potato seed to improve our seeds, because what we have now is degenerating.” As I became more familiar with the project,
I used the seed variety case as an example of state involvement in situations where informants mentioned the lack of state involvement. The question registered as a non sequitur. Take for example this exchange with Noelia that took place as she was knitting outside her home on the plaza.

J: Is there any help or aid from the state?

N: There is nothing.

J: There are no seeds? Nothing?

N: No. There is seed coming to the municipality. They have arrived recently. But that is under the control of the municipality, not the state.

The link between the municipality and the state was evidently not one that Marians made as far as my informants expressed.

The second reason why Marians do not consider this as state aid is that once the seeds have been prepared for production, Marians will have to buy them. In the mind of Marian’s aid should be given, not bought. As Noelia explained, “We have to buy from the municipality. They do not give use aid. No. We have to buy it.” Given the association of state with aid, it is easy to see how, emically speaking, having to buy the seed disqualifies it as aid and therefore it is not a form of state involvement.

There are also ways in which the state is involved indirectly in the production process. There is a hospital in Maria, and it is subsidized by the state. Perhaps hospital is a generous term for the state healthcare apparatus in Maria. One doctor and one nurse attend Marians. The hospital is rarely open, and the two health care professionals spend most of their days socializing in the plaza. When their services are required, a relative of
the afflicted usually summons one of the two for a home visit. The doctor is equipped to handle minor illness and injury, but any serious issue requires a visit to Chachapoyas. Their services are free to Marians, though recipients usually attempt to pay in gifts of produce. The doctor accepts these gifts not necessarily as a serious payment but rather because it would be rude to deny the offer.

One episode illustrates the above. Toribio, the same man that so strongly equated the lack of state involvement with a type of personal freedom, spends most of his days attending his fields, nursing a hangover, and working on the next one. One afternoon his alcoholism caught up with him, and he was unable to get out of bed. As he writhed in bed coughing blood, his mother ran for the doctor. The doctor explained that she could do nothing unless he stopped drinking and recommended a trip to Chachapoyas for further treatment and analysis. She did not have the equipment to help him and knew that he would be intoxicated again just as soon as he could make the walk to a _bodeguita_ to buy more _aguardiente_. The doctor was offered and accepted lunch, a farmer’s modest attempt at payment, and Toribio was left to sober up. While Toribio’s alcoholism may represent a hopeless case for the ill equipped, but well-intentioned, rural doctor, she does provide an important service that helps many Marians.

While this episode may appear to have little to do with potato production, it is a very important service for these producers. The issue at hand is that Toribio’s parents, Sara and Benito, are now too old to care for their fields without Toribio. Two of their children have their own families, and one lives in Chachapoyas. Toribio works their lands as the household’s primary breadwinner, and someday some of those lands will
officially be his. But for all intents and purposes, they already are his. For now, the family’s economic viability depends on Toribio and his health. The same can be said for many households in Maria. Thus, we can see how state involvement in healthcare can be an important input to the economic viability of many households in Maria.

Production: Wages and Social Security

Wages are problematic in the context of small-scale agricultural production. In Maria, almost all farmers work their own land for their primary source of income. That income is based on a variety of factors, described above, including capital investment, climate, the market, and luck. It would seem a stretch to call the economic benefit that results a wage, but wage is considered here as how income is derived. In addition to personal production, Marians employ a variety of methods to employ the labor necessary for production and be employed in their spare time.

The issue of social security is equally as problematic and plays a very small role in the economic lives of Marians. In the national Peruvian political dialogue there has been much debate about the very nature of social security. That is, should it be contributory or non-contributory? Under the neoliberal policies of Alan Garcia Perez, Peru’s president from 1985 to 1990 and again from 2006 to 2011, the former was favored. Those who did not or could not contribute could not expect social security benefits. The great majority of Marians fall into this category.

Since the election of the current president Ollanta Humala in 2011, there has seen a move to a non-contributory system. The aim of the system, known as “Pension 65,” is
to provide a monthly pension of 125 Soles to all Peruvians over the age of 65 who are in a state of extreme poverty. The Pension 65 program refers to the Home Targeting System (Sistema de Focalización: SISFOH) for a definition of extreme poverty. SISFOH has determined that a state of extreme poverty refers to those who fall in the lower 20% of the population (SISFOH 2007:5). That lower 20% is determined through a survey, which considers the following criteria:

Family members per room, head of the household’s education level, fuel used for cooking, telephone technology, cooking with gas, refrigeration, color television, ironing technology, music set up, number of artifacts\(^\text{11}\) in the home, wall construction materials, floor construction materials, roof construction materials, water services in the home, type of restroom, and type of lighting in the home. (SISFOH 2007:6)

Interestingly, cash income is not considered, as far as the survey reads, in determining poverty level.

While most Marians fall into the category of extreme poverty, only two informants, Sara and Benito, in the sample were currently receiving benefits. I explain how extreme poverty is defined in chapter six. Those two receiving benefits were husband and wife, so in reality only one household was receiving benefits out of my sample of ten households.

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\(^{10}\) There are other requirements to participate in the Pension 65 program. An applicant may not receive any other support from any social program, must have a national identification document, and must submit the official application (Pension 65).

\(^{11}\) Artifact, in this context, refers to appliances and non-essential electrical goods.
There are four ways as to how income is earned in Maria. The first is the profit received from sale. Second, we have peon labor, and third, there is minga labor. Fourth, a technique only found in the villages surrounding Maria is that of paying per unit produced or unit worked.

Concerning the first way, profit, Marians earn their income mostly from production on their own lands minus labor and supply cost. The income that is earned from production is relatively straightforward. Stock is taken in terms of capital investment for a campaña. That campaña begins and comes to harvest. Any funds that come out above that original capital investment and their own labor costs are considered profit.

Second, peons (peones) are paid a per diem wage plus three meals and the day’s coca leaf ration. The acceptable rate at the time of this research was 20 Soles or one sack of potatoes. As Sara explains, “To plant potatoes, like I am explaining, well, a peon costs 20 Soles, whatever peon. The peon plows and hoes the land. For planting it has to be a peon to proceed quickly. In weeding and pruning, the owner can do it himself.” However, when the price of potatoes is up, peons prefer to be paid in potatoes. Sara told me:

When potatoes are at 20 Soles and up, we have to pay the peons in potatoes, but the peon does not work for less than 20 Soles [per diem].

Now that potatoes are expensive, yes they want potatoes. But when it was 20 Soles, “Pay me with money, I do not want potatoes anymore,” they said.
The advantage is obvious. They can sell a sack for more than 20 Soles, three square meals, and a small amount of coca leaf.

Third, *minga* labor is found throughout the Andes and can be roughly understood as communal labor that is paid for in kind. In Maria, *minga* labor is practiced more in helping friends and family. The payment in kind is usually a half sack of potatoes and possibly a warm meal, not usually an economically sufficient reward for a day’s work. If a farmer helps his or her neighbors in their time of need, they are socially obligated to do the same. In Maria, *minga* labor is especially important, necessary in most cases, in the harvesting. The harvest is the most labor intensive step in the production process and requires more labor than the household can provide either through its own members or afford through peon labor. As Sara explains, “For the harvest, it must be some type of *minga*, because we can’t harvest alone. We could live in the field, and the work would never get done... *Minga* is what we say when we help each other.” Essentially, when a field is ready for harvest a farmer informs neighbors, friends, and family, and those who are not too busy with their own fields respond. They expect an equal response when their fields are ready for harvest.

A fourth type of wage structure practiced in Cuchapampa, a small village near Maria, is that of paying per unit of production. I include it here because the differentiation between Maria and Cuchapampa is a political, less economic, one. In reality, many Marians own land and work in Cuchapampa and vice versa. The system attempts to deal with a problem that arises with peon labor, essentially their laziness as perceived by the landowners. Sara explains, “Peons sometimes do not even get you 10
sacks…In Maria, we have this bad custom. A peon is a peon and gets 20 Soles, worth it or not… Poor landowners! If you do not control that peon well, the peon gets nothing done.” According to Sara, this is why in Cuchapampa, they pay per unit of production. As Sara explains, “In Cuchapampa, they have picked up a method. They give chores. ‘You weed so many rows, and I pay you so much. Each sack you take out, I will pay you two Soles.’ …That is when they work hard, if it conforms to what they have done…Returning to Maria, the laziest most idle [peons] want to earn more still. That is why we are going broke.” Sara was reservedly hopeful that this per piece method would catch on in Maria.

A day idle is income lost in Maria. On top of that, market prices often make production not economically advantageous. For this reason, Marians participate in all of the above wage structures. There is a preference to work one’s own land, and working one’s own land requires labor. However, when not in production, at a lull in the process, or when market prices fall, Marians attempt to work as peons. When family, friends, or neighbors call for mingas, they respond. Given the close proximity and social relationships with Cuchapampa, many Marians find day work in that village. The situation also allows Marians to recoup capital from a failed campaña. As Sara puts it succinctly, “When we are broke, it is better to go out as a peon. When the prices falls, it is better to work as a peon than plant potatoes.”

As I suggested above, formal social security protection is available in Maria through the Pension 65 Program. However, I only observed one household in my sample that was receiving benefits. I will explain why shortly. Other than the obvious
requirement that recipients be 65 years old, I suggest there are three problems that result in Marians not receiving social security payments. First, the Pension 65 program is new. It was established by Supreme Decree N° 081 – 2011-PCM on October 19, 2011. The program has met with numerous difficulties in implementation because of corruption and abuse on a national scale. Thus, it is probable that at approximately eight months after its initial signing, these problems continue in Maria when I conducted my research.

Second, receiving benefits requires a certain amount of knowledge and access to negotiate the political structure of Pension 65. As I hope is clear by now, Marians express certain indifference toward the state. As such, they are not always knowledgeable about the national benefits that they might receive. Most Marians do not own televisions and are not well integrated into national political discourses. Even if they are, enrolling in the program takes time and effort. All of my informants were literate, but many Marians are not willing or able to invest that time and effort. As a result, the Pension 65 program, which would presumably provided a much-needed source of income, has for the most part failed to reach many Marians who might qualify.

The third problem with the state social security program is that social security, loosely understood as social insurance for those unable to work, is achieved locally through a network of socio-cultural obligations. Therefore, the perceived need for formal social security protection is not high. Sara, who features so prominently as an informant in this research, and her husband Benito are likely in their late 70s. Again, asking them directly would have been rude. Sara is nearly deaf, and Benito is nearly blind and is drunk most days. Needless to say, they are unable to produce potatoes with the gusto that
they might have thirty years ago. While this couple happens to be the only beneficiary of Pension 65 in my research sample, much more important to them is the sense of social security provided by their son Toribio. Toribio manages his parents’ fields, lives within 15 meters of his parents, and tend to their every need. While Pension 65 no doubt helps Sara and Benito make ends meet, it is Toribio that makes economic survival possible for them. If not for Toribio, Sara and Benito would likely still get along. They have both lived in Maria for their entire lives. It would be almost inconceivable that their lifelong neighbors with whom they have shared decades of mutual, reciprocal interdependence in economic viability would let them slide too far into decline. Simply put, Marians help each other in times of need, and the social obligations cover what others might perceive a responsibility of the state.

*Production: Size and Organization*

I consider size in terms of three variables: amount produced, amount of land and capital invested in a *campaña*, and amount of labor involved in each *campaña*. These three variables are interrelated and make size difficult to determine in any useful way in the context of small-scale agricultural production. For one, the amount of production varies, because of the variability in climate (luck, as most informants explained it). Second, size, in terms of land and capital investment, is not standardized and changes from *campaña* to *campaña* in order to mitigate the risk associated with the climate, and there is a substantial anthropological literature that deals with these interrelated issues (see Johnson 1971 or Wharton 1971). As well, most Marians plant sporadically throughout the year and have *campañas* at different points in the production process at
any moment. Third, the amount of labor necessary in a campaña is directly related to how much land is planted. Nonetheless, a description of these problems will give a sense of the size and scale of agricultural production with which we this study deals.

As to organization, I consider variables that relate to how labor is recruited and remunerated within each production enterprise, households in this case. Much of the descriptive data has already been presented above in the section on wage structure and labor. However, given its importance in the production process, it is worth reiterating here in terms of organization.

To plant one hectare, a farmer needs anywhere from 20 to 25 sacks of seeds. Each sack of seeds yields anywhere from 10 to 30 sacks of potatoes harvested. From these estimates, we can calculate an expected harvest between 200 to 750 sacks of potatoes from each hectare planted. As Sara relates, the lower limit represents the amount necessary to recover the initial investment. She states, “Something like 200 sacks at least, you have to harvest from one hectare.” The huge range in production size, the upper limit being nearly four times the lower, should illustrate the main problem in determining size. Because as I was reminded again and again, “All this stuff about potatoes is a question of luck.” As one informant told me, “We never plant just one hectare. This time for example [we] planted two hectares and came up short by a quarter hectare because of the rain. Rain and more Rain!”

As the previous quote suggests, another variation that makes size difficult to predict is the fact that farmers in Maria rarely plant in any standardized way. While I used one hectare in order to standardize production in terms of size above, farmers in
Maria rarely plant exactly one hectare. As one informant relates, “Sometimes we plant from 30 to 70 sacks of seed. We plant from 3 sacks of seed and up.” A campaña of 70 sacks of seed would represent a significant investment in a relatively large field (approximately three hectares) and a significant risk. A campaña of 3 sacks of seed would represent a small investment in something more like a garden, and little risk.

A final difficulty in determining size is that most Marians are engaged in various campañas at any time. The reason that this is possible is that, in my sample, all informants owned more land than they could reasonably plant at any given time. For example, Benito, Sara, and Toribio, estimate that their household owns approximately 15-20 hectares spread out over the countryside. Likely, they know the exact number of hectares but seemed unwilling to tell me. They might embark on campañas of different size, different crops, and at different times of the year on any of their holdings. Marians hedge their bets, so to speak, against the uncertainties of the climate and the market, which are interrelated. As one informant put it:

You have to alternative planting…The other day there were a ton of potatoes. They piled up on the highway. They planted a ton of potatoes. Then the price went down. That time [my son] had potatoes as well, and that’s why we could not sell it at a good price. Today, if it was 50 Soles, we would sell it for that. That is when it is good to sell. That’s why you have to alternative the planting. Because that is how you achieve those prices.
By alternating the campañas year round, farmers in Maria attempt to insure that they have potatoes ready for harvest whenever the prices are right. While it is a useful strategy for farmers in Maria, it makes determining the size of production difficult. Essentially, when Marians are asked about the size and scale of a production campaña the answer is “Which one?”

In terms of organization and how farmers hire and pay for labor, the primary production unit is the household. Households that I observed ranged from just two (husband and wife) to six (husband, wife, and four children). However, at certain points in a campaña additional labor is necessary. I have suggested four types of labor arrangements, three of which require producers to look outside the household. There is peon labor, paid per diem in currency or in kind depending on the market price of potatoes. Peon labor is sporadic and is especially helpful in the early phases of the production process. There is minga labor, which is communal labor paid in kind. That payment is usually not economically rewarding, and the draw of minga labor lays in reciprocity. Finally, there is labor that is paid per unit of work done. This method allows landowners to provide incentives for better labor to deal with shortcomings in the peon method. All farmers in Maria employ and are employed in all four methods, and the status might change from day to day.

Production: Method of Transfer and Trust

There are two sets of methods of transfer that need to be considered here. The first set concerns those exchanges that happen within the production level. The second set concerns those transfers that send produce to the wholesale level. Within the
production level, the primary transfers include labor, and I have already described labor transfers at length. There is one’s own labor, labor paid for per diem, communal labor, and labor paid for by unit of work done. These transfers are important to the market channel because when labor is paid for in kind, the products are sold and enter the channel. I have suggested that Marians continually move among the four types according to where they are in the production cycle and the quality of the relationship between laborer and employer. Here, I consider only those methods of transfer that directly send potatoes to the wholesale market in Chachapoyas.

Marians have two ways of getting their potatoes to market. First, they can take them to Chachapoyas personally. They pay what is referred to as “freight.” That is, they pay someone with means of transportation to take them and their products to Chachapoyas. Most Marians do not take their products to Chachapoyas personally, and I describe why below. The other way, the more popular one, is to sell the products to a transporter/wholesaler or merchant middleman. The merchant middleman pays Marian producers according to his knowledge and experience of the wholesale market.

Taking one’s own product to the city wholesaler market is relatively straightforward. As Noelia explains, “The owner of the potatoes contracts a truck to take the potatoes. Yes? You pay three Soles per sack from here to Chachapoyas.” Pablo explains the same method and gives it a name. “You pay “freight.” It’s called freight per sack, and you take them there [Chachapoyas]... You take it as freight yourself and you sell it there.”
There are a few advantages to this method. First, as there is no middleman, there is less opportunity for abuse. Second, this method is advantageous in the case of relatively small amounts of potatoes. There are few large trucks in Maria, and the merchant middlemen, who live in Maria, already use the large ones. Third, as Maria has essentially no commercial outlets, a trip to the market is also an opportunity to restock on supplies. As Pablo puts it, “I might have to buy things [in Chachapoyas]. It is an opportunity. No?” However, the problems with this method heavily outweigh the benefits and make this method not very popular.

The first problem is that transportation is often unavailable. There is no reliable public transportation between Maria and Chachapoyas. In fact, the most reliable and consistent form of transportation is a young man from Maria who took out a loan to buy a truck. To repay that loan, he currently charges 12 Soles per person for a one-way ride. However, when he is busy or simply not in the mood to drive potential travelers may wait days for a ride. Second, when Noelia says, “contract a truck” in the above quote, the reality of the situation is that most farmers gather their potatoes by the side of the highway and hope for a ride. Usually, there is someone willing to take them, but it is a risk nonetheless. The second problem is that the financial difference is not that great. A farmer must take a day or two to go to market, and those days could be better spent in the fields. Pablo explains, “Sometimes you have other things to do and the difference is only three or four Soles.”

Finally and most importantly, as I will explain in greater detail in the chapter on the wholesale, the market is a dangerous place, financially speaking, for those who are
not well versed in it. Pablo told me, “Sometimes there are people, businessmen, who want to take advantage of you. No? They want to make a large profit.” Sara echoes and expounds upon this sentiment. “Sometimes they see our peasant faces, and the buyers are unscrupulous. They make us give our products cheaply. They take our products!” Marians perceive this transfer as potentially unfair, very near robbery. They do not maintain social ties with the other regional wholesalers in Chachapoyas and thus cannot expect to be treated fairly. For this reason, they prefer to sell their products to a merchant middleman from Maria who maintains social ties in the wholesale market, and has the wherewithal to market their potatoes in their stead.

There are only two wholesalers doing business in Maria. They are both from Maria also raise crops. Of these two, I was only able to speak with one. The transfer from farmers to wholesalers is quick, at least as quick as 50 kilogram sacks can be loaded into a truck. Marians gather their crops by the highway, on Sunday and Monday, and they wait for the wholesaler to make his rounds. The wholesaler tells the farmer exactly what he will pay per sack, and the farmer has little choice in the matter. One informant reported, “If they say that the price fell, what can we do? As we cannot save potatoes, we have to sell it.” The wholesaler pays in cash at the point of sale and moves on to the next waiting farmer.

This situation would seem to be disadvantageous for farmers based on the monopsonistic power of the wholesalers. It would seem like an opportunity for exploitation of farmers on the part of the wholesalers, because essentially, the wholesalers control the farmers’ access to the market. They control transportation. They
may lie about wholesaler market prices. As Sara’s comment on “peasant faces” above illustrates, farmers do not have the social capital to participate in the “big city” markets of Chachapoyas.

However, farmers in Maria do not seem to be worried about exploitation in this manner. The first reason for this is communication. Cell phones are increasingly popular in Maria, and farmers can check on the market with friends or relatives in Chachapoyas. When I asked Toribio if a wholesaler had ever lied to him about the market price, he replied, “That is what cell phones are for. You call and ask when it [the price] falls. When it falls, it falls. When it goes up, it goes up.” Ironically and unusually, Toribio does not have a cell phone.

The second reason concerns the transfer of risk from producer to wholesaler. As potatoes are harvested, the payoff is a conversion months of risk and work into capital. The wholesaler buys the potatoes and with them the risk. While the wholesaler has greater knowledge of the market, he is still gambling to some extent. When I asked Pascual about the possibility of being taken advantage of by a wholesaler, he reminded me that wholesalers lose sometimes as well. “Sometimes they could cheat us. But sometimes they lose money too.” I take this last quote to be an attempt on the part of Pascual to suggest that, to some extent, the wholesalers are in the same boat as farmers. Owning potatoes for trade is risky at any point along the channel and farmers are glad to exchange risk for capital.

The most important reason Marians do not really fear exploitation is their social relationship with the wholesalers. There is a reason why there are only two wholesalers
in Maria beyond the size the village. These two have earned their stripes, so to speak, as trustworthy individuals. As Toribio explains, “There are two wholesale trucks. Of course, there are various [wholesalers], but we use only two wholesalers [who live in Maria]. Strangers from Jaen and Moyobamba [jungle cities to the east] come also. But they are not safe. Okay? There are only two safe wholesalers here.” When asked about his relationship with the wholesalers, Toribio said, “They are business friends. Yeah, friends in business. They count on us for money. But yes, we are friends.” What Toribio failed to mention and that was revealed in a later interview with one of those wholesalers is that these two men are also cousins.

This transfer represents the end of the production cycle. To sum up, I have explained the agricultural cycle (campaña), which takes approximately six months. I have suggested that Marians display an ambivalence toward the state, which they perceive as a source of aid. However, I have also suggested ways in which the state is involved in the production process through the seed project of the municipality and also through healthcare. I have described the wage structure and social security mechanisms available in Maria. I suggest there are different wage structures utilized and that social relationships are more important than existing formalized social security mechanism. I have described the size of potato campañas in terms of amounts produced, land and capital invested, and labor force necessary for a campaña. I have described the organization of household enterprises in Maria in terms of how labor is recruited and recompensed. I have suggested that, while we may be able to described size along these variables at any one point in time, the changing climatic and market conditions make
determining size problematic through time. Finally, I described various methods of transfer that take place both within the production level and between the production and retail level. I have suggested that the key element in the transfer of products from producer to wholesaler is the wholesaler’s relationship to the community. His status as a fellow farmer, long-time friend in business, and family member, in some cases, enforce trust and prevent monopsonistic abuse.
CHAPTER V

WHOLESALE

Yance Street Market, Chachapoyas, Peru

From Tuesday afternoon to late Monday night, the wholesale market is just a barren dirt road on the northern edge of Chachapoyas. The Mercadillo Yance (Yance Street Market) is a weekly wholesale market. The name is a strange one as one of Chachapoyas’s retail markets is called Yance as well. They are not close to one another and even among those most familiar with the market there is confusion as to which one someone is referring (See Figure 7).

The wholesale market takes place on Santa Ana Street, where the city center of Chachapoyas fades out into empty fields and an occasional abandoned famer’s hut. Businesses on this street are sparse, generally confined to those that require large amounts of space or would be objectionable in the city center (See Figure 8). There are mechanic’s shops with their tall, wide garage doors that service large trucks and use the street as a dumping ground for oily waste. The town’s slaughterhouse overlooks the wholesale market, and livestock sadly observe the lonely street in the slaughterhouse’s holding pen. For six days of the week, Santa Ana Street is virtually lifeless save for a few stray dogs.

Beginning Monday night, that all changes. Large wholesale trucks begin to arrive from the region’s surrounding towns and villages, like Maria, and park for the rest of the night to unload. Yance is primarily a wholesale market, mainly for potatoes.
However, ancillary products are retailed there. In anticipation for the crowded market, hawkers and small businessmen and women set up humble tents and prepare their products for the following day’s market. These people sell anything from socks and underwear to manufactured plastic goods to a warm meal. Food peddlers arrive with their carts of sweet, cinnamon pastries (*churros*), quail eggs, and ice cream. Thus, the Yance street market is a wholesale market with a retail component. Tuesday morning will see all of these business booming. All traffic is diverted, and the market begins.

Wholesalers, all men, arrange their trucks in crude circle at an intersection, either at Hermosura Street or Recreo Street (See Figure 9). Wholesalers back their trucks into the intersection, open their cargo gates, and let their products begin to spill out. Buyers enter and exit in the spaces between trucks. All wholesalers open a few sacks of their products as to give buyers a chance to examine the quality of their goods. The wholesaler stands in the cargo bed with a cell phone and a wad of cash ready to do business. From there, he can direct his assistants, day laborers, as to where to move the goods.\(^\text{12}\) In the center of the circled trucks, wheelbarrow traffic is intense as assistants rush to move sacks of potatoes to buyer’s cars or taxi’s waiting just outside the market area. The assistants, paid by sack transported, move quickly. They make a noise that imitates a car’s horn letting those who are new to the market know that they need to move or be run over.

\[^\text{12}\] There is no special term for those who transport products within the wholesale market. In a conversation with a wholesaler, he referred causally to the men helping him as *asistentes*, which I translate directly as assistants.
If we think of that circle of trucks as the head, the rest of the wholesaler market stretches out like the body of a snake westward, down Santa Ana Street. As one moves west, quality and quantity of products decreases. At the west end of the market, where Santa Ana Street ends at Dos de Mayo Street, are the most humble of vendors. Essentially anything that one could want is sold here. Most of products are agricultural ones. They include those farmers who bring their products to market themselves as well as travelling vendors who buy and sell whatever produce they can. They come from the Amazon selling fruit: bananas, apples, oranges, pineapples, and avocado. They come from the sierra selling beans, wheat, and corn. There are clothing vendors selling knockoff brand names mainly for women. Others include pirated DVDs and clumsily assembled electronics, and manufactured consumer goods, mostly household plastic wares.

The retail sellers, usually women, sit on the ground with their products displayed in front of them on a plastic tarp. Their “store fronts” are usually nothing more than a wooden pole, two if they are fortunate, which supports a blue or black tarp, staked to the ground at the back end. For the most part, the vendor’s young children occupy the back of the tent. All of these vendors intermingle as the market stretches to the west. By Tuesday evening, what is left is packed up and all vendors have moved on. The wholesale Yance Street Market on Santa Ana Street closes until the following week, and streets are deserted.
Wholesaling Potatoes

Wholesaler vendors arrive throughout the Monday night and into Tuesday morning. They back into an intersection and wait for the market to begin. As they wait, they converse with other wholesalers about the quantity and quality of their cargo. In doing this they get an idea of how much they can charge for their potatoes. When the morning comes and the market opens, they have a good enough idea of what their competitors have that the prices per sack are essentially set.

The market really gets going early Tuesday morning, approximately at 7:00 am. However, there is no official opening and for all intents and purposes the wholesale market opens whenever buyers begin to arrive. Buyers who are not as well known to the wholesaler are the first to arrive. These buyers attempt to gain the early bird special, so to speak. In reality, the price is no different but there may be nothing available if they wait. If the quantity of potatoes that any wholesaler has is sufficient large, they are allowed to buy. If the quantity of potatoes is not sufficient, wholesalers hold onto their cargo in anticipation of their regular customers. If the wholesaler does not have much in terms of quantity, he may not open. His truck’s cargo doors might remain shut, signifying that there is nothing to buy.

After gauging the market, a wholesaler immediately takes out his cell phone. He lets regular buyers know that he is available for business. He informs them of the price, which he has established previously with the other wholesalers, and takes orders. He reserves portions of his cargo based on his regular buyer’s needs. He unloads those
potatoes and stacks them beside the truck. Whatever is left over, sometimes a considerable amount, is then sold to the general public on a first come first serve basis.

If a buyer is a regular customer, credit is extended. Regular buyers may pay weeks or even months after. Often times, the amount of lenience the wholesalers have toward their buyers is impressive. Those who are strangers to the wholesaler are expected to pay in cash at the point of transaction, and bills from strangers are heavily scrutinized for evidence of counterfeiting. Given that wholesalers have regular buyers and a wealth of strangers willing to buy what is leftover, marketing is not aggressive. Wholesalers usually spend the day directing assistants, who deliver to regular buyers, and joking amongst themselves. Wholesalers usually sell no less than 15 sacks to any one buyer, and 50 sacks is the normal upper limit.

As has been established, there are two wholesalers that bring products from Maria. During the research period, only one was engaged in wholesaling and the only wholesaler from Maria available for interview. Franco, as I will call him, is a farmer from Maria. As the wholesale market is a weekly event and wholesalers are busy during business hours, interviews took place in between Franco’s business transactions. As far as I can tell, Franco is not noticeably better off than his fellow wholesalers or neighbors in Maria. His home is not significantly bigger or nicer, and his clothes are similar to other Marians. Presumably, his time spent wholesaling leaves him with less time for production in his fields, and the trade off more or less evens out his income to the level of Marians in general. Franco says that he rents his truck, but the truck belongs to his brother, who lives in Chachapoyas. It is unclear if he rents the truck, as he says, or it is in
fact loaned to him on his brother’s good will. I suspect the latter. After the market, the truck makes its way to the Peruvian coast with another, paying wholesaler dealing in different goods. Franco is not sure what happens to the truck after he leaves it. Franco returns to Maria after he wholesales his products and as soon as transportation is available.

As to the market channel, Franco has three main types of regular buyers. First, there are other wholesalers that buy to wholesale in other regions. There are primarily from the Amazon Jungle where potatoes cannot be produced and prices are higher. These buyers represent the smallest group for Franco. Given that they are the smallest group of buyers of Maria’s products and the infeasibility of following the market channel to the jungle in such a short research period, this group of buyers is not considered in this study.

The second type of buyer is from one of two retail markets in Chachapoyas. These buyers will then market the potatoes to the general public. General public in this case consists of two types of buyer. The first group that buys in the retail markets is homemakers. Second, retail buyers are small restaurant owners. The small-scale of these restaurants is such that buying wholesale, with Franco’s 15 sack minimum, would see much of it go to waste.

The third group of regular buyer of Maria’s potatoes is the pollería. Pollerías are relatively large restaurants that sell roasted chicken and French fries. They sell a very limited menu: an eighth part of chicken, fries, salad, and a soda for four to five Soles. Pollerías provide the evening meal for many Chachapoyans multiple times a week.
Their standardized menu enables them to buy large quantities at lower prices. Polerías provide cheap food and fast service and are the closest thing Chachapoyas has that could be considered fast food.¹³

*Wholesale and the State*

The attitude of wholesalers to the state is indifferent. They see the state’s role in their economic activities as essentially nothing. They consistently deny paying taxes, fees, or any other kind of payment for their wholesaling activities. When asked about the state, informants seemed unsure as to why they were being asked. There was general confusion as to what the state could or would do in the wholesale market. For a reason explained below, I was often mistaken for a representative or employee of the state. Informants wanted to know why the state would be interested in what they were doing. For them the state is really a non-issue. However, the state does monitor the economic activities in the wholesale market and is involved in indirect ways that I discuss below.

The state keeps careful tabs on what takes place in the Yance Street Market. Representatives from the local branch of the Ministry of Agriculture monitor prices and quantities of products that enter Yance. Ministry personnel, usually secretaries or low-level employees, move among the wholesale market taking notes on prices and quantity of potatoes being sold. Indeed, as the work of this anthropologist appeared to be similar to onlookers, many of those in the wholesale market assumed that I worked with the

¹³ I would have liked to interview Franco’s polleria buyer, given the buyer’s importance to the market channel. However, as I explain below, there was a delicate credit issue between the two. Franco informed me that it would be a terrible time for an outsider to start probing the relationship.
Ministry of Agriculture. In the Ministry of Agriculture, a bulletin board prominently displays wholesale prices and the quantity of products that move through Yance. However, these data are not used for any purpose that is clear to ministry employees. They simply see it as their job to collect the data and forward it to the Ministry of Agriculture headquarters in Lima. Records are not systematically kept in the local office, and employees are only able to locate those records for sporadic weeks. It is not used to levy taxes or dues on exchange.

The state is involved in indirect ways in the market as well. Santa Ana Street, where the market takes place, is maintained by the state. When the market shuts down, municipal employees, uniformed in neon jump suits, clear the debris left over from the market. Also, there is a police presence in the wholesale market that is not found at the production level. I mentioned that traffic is diverted from Santa Ana Street, and that is a police function. These two indirect methods of state involvement are not integral to the market functioning properly. Nonetheless, they are the main ways that the state is engaged in the wholesale market.

A final consideration in terms of the state in the wholesale market is that many of the wholesalers are farmers themselves in the areas in which they obtain their goods. This is true of the wholesaler Franco from Maria. Thus, the indirect state involvement at the production level extends to the wholesale level. Franco lives and works five days of the week in Maria, and he is entitled to the same modest healthcare as all other producers. As I tie Franco’s personal health to the health of his part of the market
channel, this does represent a state interaction with the wholesale market, though admittedly a small one.

*Wholesale: Wages and Social Security*

Wholesalers earn their income through the sale of their products, but wages are paid to assistants according to the amount of work done. I outline below how income is determined and describe how those wages are paid. As to social security, nothing is contributed, and Maria’s wholesalers received no social security payments. Hypothetically, they could be recipients of the same Pension 65 program; however, none of the wholesalers fall into the appropriate age group.

Franco’s profit is determined by the price he gets through the sale his potatoes minus the amount he paid for them, his own labor cost, and transport expenses. The wholesale price is based on the amount of production and quality of product. Before Franco determines his price, he converses with other wholesalers to gauge that week’s market. While he has regular buyers, those buyers would gladly engage another wholesaler if Franco cannot compete with their prices. At the time of this study, informants in Maria reported that potatoes were at approximately 50 *Soles* per sack at the production level. In the wholesale market, Franco was selling his potatoes for 45 *Soles* per sack. Thus, based on my own data, Franco was losing money. Franco continues his wholesale activities nonetheless, and this is for two reasons. First, the economic climate may change from week to week. Franco never knows exactly whether he will profit or lose unit he gets to the market. Second, he cannot afford to lose his
place in the market among both buyers and sellers. As I will explain in more detail later, it is very hard for newcomers or strangers to enter the market as wholesalers.

Wages are paid to assistants according to the amount of work they do. After a sale is made, wholesalers pay one Sol per sack to assistants who transport the products to the buyer’s vehicle, usually waiting just outside the cordoned off portion of the market. Wholesalers help with this task, but cannot do it alone. Assistants can hope to make upwards of 50 Soles on a good day. Assistants must be close friends, family, or highly trusted as both the wholesaler and the buyer both depend on him to move the products in a busy area. Otherwise, products could easily be lost or stolen. For example, one of Franco’s assistants is his cousin, who depends on Franco for a day’s work once a week.

Social Security mechanisms are virtually nonexistent in the wholesale market. Wholesalers do not contribute to any social security fund, nor do they draw from any social security fund. That said, wholesalers would be eligible for the Pension 65 program as I outlined in the section on production. However, none of the wholesalers I observed appeared to be over 65 years old. Franco, for example, is approximately 45 years old. I attribute this to the fact that wholesaler work is strenuous at times. Wholesalers do help move sacks of potatoes, weighing 50 kilograms. At 65 years of age, this would become more difficult. Indeed, the assistants who do most of the work are all young men in their physical prime. Theoretically at least, when Franco reaches 65 years old, he could draw from the Pension 65 program.

Finally, in terms of social security, it must be remembered that Franco is a farmer himself, and it is safe to assume that most of the other wholesalers farm also. Thus, all
of the social security mechanisms based on close socio-cultural relationships and outlined in the production section apply to him as well. If Franco falls ill or when he becomes too old to work, he will likely fall back on the support of his friends and family in Maria. Thus, social security mechanisms are provided in the context of reciprocal aid and support based on sustained relationships in a small village.

*Wholesale: Size and Organization*

Size of wholesale enterprise is dependent on the amount of production, and I consider size in two ways. The first is amount of potatoes bought and sold. The second is the size of the operation of each wholesaler in terms of labor. That is, how many people are involved. In terms of organization, there are also two issues to consider. The first issue is how wholesalers organize their own enterprise. The second, more important issue is how wholesalers organize and control market prices among each other.

In terms of amount of potatoes exchanged, everything depends on what happens at the production end. Franco brings anywhere from 500 to 1500 sacks to the wholesale market each week. Each wholesaler uses one truck. If production rises, more wholesalers are needed. During the period of research, Franco handled closer to that lower limit, around 500 sacks each week. Hence, I did not observe the other wholesaler from Maria. Production in Maria was evidently down during that time. This also accounts for the moderately high price (45 Soles) that I encountered.

In terms of size of enterprise, each wholesaler employs approximately five assistants. This also depends on production. If production is down and there are fewer
sacks to be moved, the wholesaler would need less help. If production is up and there are more sacks to be moved, the wholesaler would need more help. Six people, one wholesaler and five assistants, appeared to be the norm for each wholesale outfit.

As to organization, each wholesaler and his five or so assistants work together to vend potatoes like a small firm. The wholesaler is responsible for organizing the exchange with the buyer. The wholesaler acts as the brains of the operation. He tells his buyers his price. They tell him how many sacks they want. The wholesaler directs his assistants to deliver the potatoes to the buyer’s vehicle, usually a team of taxis.

There is a sort of branding involved in the process. All outlying towns and villages like Maria that send products to the Yance Street Market use one type of sack. That is, the sack design depends on where the products originated. Franco’s sacks, those from Maria, are white with red and green lettering, corresponding to the store in Chachapoyas from where they are purchased. A trained eye can determine where a potato was produced, just by looking at the sack. Informants were unsure as to why this pattern exists. Was it just a force of habit based on preferred suppliers, or was it done intentionally to identify the town or village? Either way, it is a reliable way to monitor the movement of products in the wholesale market by geographic origin.

The second and most important organizational feature in the wholesale market relates to the relationship among wholesalers. The number of wholesalers in the Yance Street Market ranged from five to eight during the period observed. I expected wholesalers to be in competition for the best price possible when selling; however, this is not the case. They organize themselves in such a way that all wholesalers offer
essentially the same prices and service. Variation in that price may occur if quality is significantly different, which it was not in the period of research. They do this as a form of protection against variability in production. The mechanism by which they accomplish this makes the market essentially closed to outsiders.

A story from one wholesaler illustrates how this is accomplished in a wholesale market that is theoretically open. As I asked about the relationship among wholesalers, it was useful to phrase questions in terms of examples. For instance, I asked wholesaler informants, “What if I came to Yance and sold potatoes at a lower cost?” Most informants accepted my hypothetical example as just that; however, one informant pointed out that this was, in fact, a bad example. That situation would lead to a significant loss for me as a hypothetical wholesaler. The following story is paraphrased from a conversation that lasted approximately 30 minutes:

Each wholesaler of potatoes knows and is known in the market. As they are known, people come to them to buy their potatoes. But when they are not known, other wholesalers form a physical ring around them. The known wholesalers begin to ask the price of the potatoes of the stranger. They ask him to sell the potatoes cheaper. They say the price is too high and begin to haggle. As the wholesaler is new, they do not sell much or know the appropriate price. The known wholesalers talk amongst
themselves. They say to each other, “\textit{Mete Cacho.}”\textsuperscript{14} They are telling each other to take advantage of the newcomer. The newcomer, having no other option, must accept whatever price the known wholesalers give them. The known wholesalers buy the potatoes cheaply. Then they sell the potatoes to their own customers at a much higher price on which they had previously agreed.

This example shows the importance of organization among wholesalers. By forming a ring around the newcomer, they form a physical barrier that blocks the access of buyers. With no other option other than keeping their products, newcomers are forced to accept known wholesalers’ demands. When I asked this wholesaler how does one break into the wholesaler market as a newcomer, he was not altogether sure. He “supposed” that a newcomer would have to go with a known wholesaler and receive a proper introduction. Through this organization among wholesalers, the market is essentially blocked and prices are stabilized.

\textit{Wholesale: Method of Transfer and Trust}

Within the Yance Street Market sale takes place among regular wholesalers who come to sell and wholesalers from non-potato producing markets in the Amazon, and small buyers who process potatoes within the Yance Street Market. Most of these latter two groups are considered newcomers to the market. As they have not developed any

\textsuperscript{14} \textit{Mete Cacho} is difficult to translate directly. Literally, it is a command that means, “Put a horn in.” It is used to suggest to a friend, in this case another known wholesaler, that he should take advantage of someone, a new wholesaler in this case. I cannot think of an expression in English that conveys a similar idea.
significant level of trust, they must pay in cash, and their relationship with regular wholesalers is strictly one of business. Normally, these buyers do one of three things. They may immediately take the products to their home market, or they may immediately sell the potatoes in the Yance Street Market, insisting on cash payments. Third, they may repackage the potatoes; that is, they open their sacks and separate the higher quality stock from the lower quality. They re-sack the potatoes and re-sell them at prices relative to quality. Often a combination of these transfers can take place.

For example, on Tuesday Franco sold out of potatoes as I was watching. As usual, there were still a number of buyers wanting potatoes. Those last few buyers who were lucky enough to buy potatoes from Franco found themselves in possession of a hot commodity. They immediately sold the potatoes to those around them at a profit. What’s more, the second buyers did the same thing. Title and cash payments changed hands rapidly while there was little physical movement of the potatoes. Title was broken up and changed holders sometimes three to four times before the original quantity had been fully unloaded from Franco’s truck. Often times, when title is transferred, the seller and buyer simply change places standing beside the pile of potatoes.

This episode should further highlight the importance of the relationship among wholesalers described in the previous section. Why did Franco not recognize that the demand outweighed the supply and raise prices? The answer is that he did, but there was little he could do about it. It would have put him at odds with the other regular wholesalers and broken the trust among them. When asked why he did not raise his price when stock ran low, he explained, “Because that is not the price this week.”
I asked him if he had any idea who the buyers were or where the potatoes were doing, he replied, “Some of them, yes, I know. A few will go to Pedro Ruiz. A few will go to the jungle. Most of them will do circles around here and end up in the [retail] markets in Chachapoyas.” So when Franco sells to buyers who are not his regulars, there are numerous exchanges that subsequently take place within the wholesale level. Ultimately though, the market channel leads mainly to retail markets in Chachapoyas.

Turning to the sale that moves potatoes directly through the channel from wholesalers in the Yance Street Market to retail markets, the most important aspect of the transfer is interest free credit. The transfer is cordial but businesslike and resembles the pratik relationship described by Mintz (1961). Most of the sale is done over the phone. Franco calls his regular buyers, tells them his price, and takes their order. Pleasantries are exchanged in a matter of fact way. Franco may enquire about a child’s education or the health of an elder relative. He makes a note of the amount and the price and debits their account. However, it would be a stretch to call the quick notes scribbled on scrap paper “recording keeping.” Usually, the regular buyer, either a market woman or pollería owner, does not come to the market in person to pick up the goods. Rather, they send an employee on this errand. I call it an errand, as there is no cash involved. Franco must go to the buyer to collect, and this is something he does at his leisure, not immediately. The buyer pays what he or she can whenever she can. There is no interest paid. Usually, this relationship functions properly. Payments are made in full eventually if irregularly. In this way trust is built and maintained. However, sometimes there are problems. This leads to an economic strain on the relationship, and it is unclear why the
relationship should continue. Demand significantly outweighed supply, and there were cash-paying customers waiting to buy.

For example, one Tuesday morning Franco began to argue with someone on his cell phone. From what I could hear, Franco was attempting to take an order from a regular buyer and remind it that he had not paid in a long time. The buyer evidently did not agree or could not pay. One of Franco’s assistants explained to me that the debtor was the owner of a pollería. Franco had had some problems collecting from this particular owner. The assistant explained that the pollería owner could not pay because of a lull in business, though the assistant believed that the owner was simply trying to avoid payment. Meanwhile, non-regular buyers became impatient waiting to see if Franco would have enough for them. As they were privy to Franco’s public cellular debate, they were aware of the situation. They pointed out that they would pay in cash. To their dismay, Franco ultimately reserved the potatoes for the indebted owner of the pollería. The conversation concluded with the promise of a payment tomorrow.¹⁵

I cannot come up with a good explanation of why this relationship exists as I have described it. For one, Franco has buyers willing to pay in cash at the point of sale, but these buyers get the leftovers. Second, even if an initial extension of credit were necessary, it seems unusual to extend and expand credit to defaulters. Why would

¹⁵ A running joke among many friends and informants in Peru is that “Everything in Peru is tomorrow” (Todo en Perú es mañana). It refers to the practice of putting off deadlines, deferring payments, and procrastination. Tomorrow is that fictional place where things actually get done and promises are kept. In this context, it is unclear if Franco and the pollería owner had actually reached an agreement or if negotiations had stalled and ended in frustration.
Franco continue to trust a client that had proven himself untrustworthy? If the pollería owner decides to never pay Franco, there is little Franco will be able to do. That is, there is little legal recourse to enforce trust. Third, on the production end Marians insist that they are paid in cash at the point of sale. Yet, their wholesaler is not paid immediately, and as the episode above suggests, he is sometimes not paid at all. How is it that he maintains enough capital to pay Marians up front week in and week out?

There are two possible explanations. One, Franco is simply not a very astute businessman and his enterprise will soon fail. However, given the trust the people of Maria place in him and his position as one of only a handful of Chachapoyas’s wholesalers, this is unlikely. The second reason may be that Franco continues to extend credit to extend the economic relationship in general. If he were to cut the pollería’s supplies, there would be no reason for the pollería to ever pay Franco. The logic is similar to the saying, “If you owe the bank $1000, the bank owns you. If you owe the bank $10,000,000, you own the bank.” So while Franco may not truly trust the defaulter, he must continue to pretend to trust him in hope of payment.

Many of the potatoes from Maria, and the Yance Street Market in general, leave Chachapoyas bound for other markets. Unfortunately, this study had neither the time nor the resources to follow them outside of the city. Fortunately though, informants agreed that most of the potatoes of the Yance Street Market make their way to one of two retail markets in Chachapoyas.
Central Market and Yance Market, Chachapoyas, Peru

There are two retail markets in Chachapoyas, the Central Market and the Yance Market. The function of both is essentially the same: potatoes from Maria arrive to both markets, prices are quality are roughly the same, and both pay the same rent to the municipality. One difference is that the Yance Market is farther away from Chachapoyas’s plaza de armas, the city’s administrative and social center, and its normal clientele tend toward a more modest economic background (see Figure 8). However, most Chachapoyans buy in whichever is closer. Another difference is that Yance is considered by Chachapoyans to have a higher quality and more quantity of fish and seafood from the coast. Since this study looks at potatoes, that difference is insignificant. Finally, the Central Market is approximately three times bigger than Yance.

Both markets are owned and maintained by the municipality. They charge 60 Soles per month for stalls and 50 cents per day for a table in both retail markets. The municipality estimates that there are approximately 800 people employed in the combined markets. These include market retailers, janitorial staff, and police. The actually number, as the state is fully aware, is impossible to know. Many retailers simply set up in stairwells or hallways. They estimate that between the markets, there
are approximately 455 stall and table vendors. There is a waiting list for vendors hoping to get a place in the Central Market, though not in Yance.

*El Mercado Central*

The Central Market is a cement structure, painted white though now stained brown with dirt and exhaust (see Figure 10). It occupies approximately one-third of a city block. As its name suggests, it is located less than half a block from the *plaza de armas* in the center of the city. It is bound on the west by Ortiz Arrieta Street and on the east by Grau Street. Libertad Street runs along the north end of the market, and on the south side, various businesses separate the Central Market from Ayacucho Street and the plaza de armas, though they are not a part of the Central Market.

Outside of the Central Market there are a variety of street vendors who lay out their products on plastic tarp on the sidewalk. In the morning, street vendors sell mostly fruit, clothing, undergarments, and inflatable children’s toys. At night, most street vendors sell pirated DVDs and small meals of friend chicken or *salchipapa* (sliced hot dogs over French fries). Outside the market, one finds *collectivos*, taxis, and busses or vans, which offer transportation to the Region’s outlying cities, towns, and villages.\(^{16}\) The police presence is high, and officials stand watch at all four corners of the Central Market. Music blares from many stores, and there is a sort of competition to see whose music will be heard loudest. Posters for beauty pageants and official meetings line the 

\(^{16}\) *Collectivos* are normally old Toyota station wagons. They offer cheap transportation to various cities, towns and villages around Amazonas. Each passenger pays a share of the fare. Usually, the driver waits until the station wagon is stuffed full of strangers to make the trip.
outside walls, though market goers mostly ignore these. The block surrounding the Central Market is home to four of Chachapoyas’s eight traffic lights, an indication that this area is one of the busiest in the city.

As a part of the market, at street level facing outward, there are approximately 32 stalls. These consist of bazaars, selling shoes, purses, toys, blankets, backpacks, leather goods, brooms, household plastic wares, and tourist items. These include bodeguitas selling toiletries, water, soda, crackers, and candies. Of the 32, there are clothing stores selling jackets, blouses, jeans, sandals made of old tires, and most other counterfeited name brand clothing. There are small, mobile business of locksmiths and newsstands. In most cases, these vendors are woman that own and operate the enterprise.

Inside the Central market on the first floor, there are five sectors. There are two side halls on the north and south ends of the Central Market. Between these are the two main halls of the Central Market. On the northwest and southwest corners, there are two big rooms. Each of these sectors specializes in a certain type of product, though vendors may sell other types of products as well.

The first side hallway consists of approximately 30 stalls. This hallway primarily deals in selling accessories, small plastic wares, kitchen items, and small electronics. The second side hallway is the section for butchers. There are approximately 16 stalls. These stalls differ from most of the rest of the market in that they are tiled and have drains to dispose of the butchers’ waste. Facing the butchers are approximately 12 tables of agricultural products like carrots, beans, peppers and tomatoes. This hallway is also home to many stray dogs fighting for discarded scraps.
The first main hallway, located on the north side of the Central Market, consists of a large hallway of stalls bisected by fruit tables through the middle. There are approximately twenty fruit vendor tables running through the middle of the hallway. They sell various types of fruit including: bananas, plantains, papaya, passion fruit, custard apples, grapes, and pineapples. The stalls of the first main hallway house approximately thirty bodeguitas. The second main hallway on the first floor is very similar, but slightly smaller. There are approximately ten fruit vendors, and approximately 20 stalls for bodeguitas.

The two big rooms on the southern corners house the Central Market’s restaurants and prepared foods. The Central Market’s restaurants specialize in menú and ceviche. Menú is a simple, cheap meal prepared in bulk and consisting of soup, a main course of rice or potatoes and some meat, and a watery juice. At three Soles, the Central Market is home to the cheapest meal in town. Quality is reflected in the price. Ceviche, a raw fish dish marinated in lime juice, is also popular in these restaurants. The other big room houses vendors of humitas, tamales, and juanes. These are all various starches wrapped in leaves, and steamed until soft. Outside this room, there is an image of Our Lady of Perpetual Help, where Catholic market goers can light a candle and say a quick prayer.

The second floor of the Central Market is similar to the layout of the first floor. The differences are that the two main hallways are open in the middle with balconies overlooking the first floor and there is no side hallway on the south side. The first side hallway specializes in consumer goods such as clothing, decorations, and party supplies.
There are about 30 stalls. Clothing vendors sell mostly shoes and makeup catering to women. Decorations include plastic flowers, vases, religious posters, and merchandise with popular teen idols. The Jonas Brothers and Demi Lobato were particularly prevalent at the time of research.

The second floor’s first main hallway has two different types of stall. First, on the north side, there are more *bodeguitas*, only these specialize more in food than household supplies. For a housewife or restaurant looking to cook a meal, everything necessary can be found here. This sector is also the primary potato-vending sector. There are approximately twenty of these stalls. Facing these stores, there are more butchers. The difference is that these butchers specialize in poultry and pork. There are approximately 20 of them.

The second main hall of the second floor is essentially the mirror image reflected across the market’s east-west axis. There are more *bodeguitas* on the far southern edge, and the butchers share a back wall with their counterparts. There are approximately 20 of each matching the number on the opposite side. The meat sellers on this side specialize in chicken and fish. While not evident at first glance, this second main hallway on the second floor has a reputation for lower quality products.

The two big rooms of the second floor house small-scale vendors at tables. The scale of the business is much smaller. These are mostly vendors who have come for the day. They sell whatever agricultural products they have. Usually, they have grown them themselves. This sector is rumored to be one of suspect quality.
Throughout the Central Market, there are vendors that open up shop wherever there is floor space. Usually, these vendors are farmers who come to sell very small amounts of products, sometimes only handfuls.

*El Mercado Yance*

The Yance Market is a wood, adobe, and corrugated iron structure (see Figure 11). It is only one level and is painted blue in most spots. The Yance Market appears as if additions have been made haphazardly as needed. Stalls are added and expanded through a combination of rope, plastic tarp, and wooden posts. A big white sign with faded blue lettering advertises its presence. The Yance Market takes up approximately a quarter of a block in Chachapoyas. The main entrance can be found on La Merced Street. The market occupies the corner of La Merced Street and Salamanca Street just to the north of Libertad Street. The market is located at the northern side of Chachapoyas where paved streets turn to gravel and eventually dirt.

Outside the Yance Market there are no street vendors, save the occasionally ice cream vendor. There are always a handful of taxis waiting for customers to exit. There are four fruit vendors, four bread stores, and three *bodeguitas* attached precariously to the outside of the Yance Market. The fruit vendors sell bananas, oranges, pineapples, grapes, papaya, star fruit, and limes from wobbly wooden tables. The four bread stores sell bags of small roles. They display their bread in glass cases and sell small quantities. These must be outlets for a bakery located elsewhere as no baking equipment is present. The *bodeguitas* sell the random household necessities such as toilet paper, soap, toothpaste, shampoo, or laundry detergent. These eleven stalls located outside Yance are
all constructed of corrugated iron sheets and spare wooden pools extending out over bare earth.

Against the northern adobe wall of Yance, there are four structures of corrugated iron sheets and plastic tarp. These appeared to be carpenters’ workshops or furniture outlets. These four structures house similarly constructed wooden furniture: chairs, tables, and beds stained dark brown. These four outlets were closed for the entirety of the research period. Later, a representative of the municipality informed me that the municipality closed them down. The owners of these shops had not sought permission to unofficially extend the Yance Market in the way that they had.

Inside the Yance Market, there are approximately 80 vendors. Yance is basically just one big courtyard. It is separated into three main hallways on its east-west axis and two smaller passageways on the north-south axis by four islands of shops in the middle of the courtyard. These islands house 12 stalls each, six on either side sharing a wall. They are constructed of spare boards, plastic tarp, and bailing wire. The southern-most hallway has most of Yance’s agricultural products. There are two sections of six vendors with potatoes, carrots, onions, and many other varieties of agricultural products. The middle hallway, what one sees upon entering Yance from La Merced Street, houses four banks of six bodeguita type stalls. They sell the typical items, but also small amounts of corn, beans, and wheat. The northern-most hall has 12 available stalls. These were padlocked by the municipality and available for rent.

Bodeguitas, restaurants, juice stores, and butchers occupy the four walls that form Yance’s courtyard. On either side of the main entrance there are eight bodeguitas:
five to the right (north) and three to the left (south). Yance’s restrooms occupy the remaining space that makes the market symmetrical. Along the northern wall, there are six juice stores. In reality, these are just small tables, upon which is set a juicer, surrounded by two or three stools. The other half holds five unoccupied stalls waiting for renters. Along the southern wall, there are nine butcher shops. The area is tiled, and waist-high tile walls separate butchers. These butchers each specialize in beef, pork, or chicken. The back (west) wall has six restaurants and three fish stores. The six restaurants contain little more than a gas range for cooking and a rickety table for diners. The fish stores are the largest outlets in Yance in terms of size and importance. Three fish vendors occupy the same amount of space as six bodeguitas, making them double in size. For most Chachapoyans, these three vendors represent the only acceptable place to purchase food from the coast. The fish vendors in the Central Market really only sell salted trout from the rivers of Amazonas.

Retailing in Chachapoyas (Both Markets)

Retailers arrive early in the morning, around 7:00 am. Most, if not all, marketers are women. If the retailers have children, they usually accompany their mothers to work. School for young children begins in the afternoon in Chachapoyas. Retailers browse prices and quality of other stalls and tables on their way to their stall or table. Prices are not displayed. They unlock their heavy steel doors and arrange their products for the day’s market. Selling begins immediately.

Prices are not advertised and one has to ask the retailer for a price. There is no haggling done in the retail market for produce, however prices may vary depending on
the customer’s relationship with the retailer. A newcomer may be quoted slightly higher prices, while retailers give their regular buyers whatever they deem a fair price. Most customers have a regular retailer for each product, but as they make their way to the regular stall they check prices and quality to compare with their regular retailer. In terms of agricultural product retailers, most buyers, especially those with large families or small restaurants, leave a list of products for the retailer to package and move on to butchers or to purchase whatever else they need. They return in a short amount of time, perhaps 15 minutes, to pick up their orders. Buyers either pay retailers immediately in cash or a note is made in the retailers’ ledger to be paid at the end of the week.

Most of the time, the retail vendor is the only worker in each stall or at each table. However, sometimes the retailers’ children help. When a retailer does not have whatever product their buyer may order, they send their children to a nearby retailer, usually a friend, to purchase whatever they lack. At other times, children are engaged in minor tasks such as processing products, shelling peas or husking corn. Most of the time, children sit deep in the stalls or play with the other children.

Market women determine prices based on what they pay for their products and the price other retailers give. All ten informants with whom I spoke acquire their potatoes in the Yance Street Market where, as I have established, prices are relatively stable if purchased from a known wholesaler. Retail vendors sell anywhere from one to eight sacks per week. At the time of research, potato prices varied from one Sol to 1.50 Soles per kilogram. At 45 Soles per sack (the wholesale price at the time of this study), potatoes sold at one Sol per kilogram yield a profit of five Soles per sack, or 11%. At the
higher end (1.50 Soles/kg), profits would be approximately 30 Soles/sack, or 67%. The variability was based on quality. One never knows the exact quality of potatoes bought in a 50 kilogram sack of potatoes directly from a wholesaler, and some retailers pay more for potatoes that have been selected as higher or lower quality by smaller buyers in the wholesale market. Some retailers specialize in high quality products that fetch a higher price, while some prefer low quality products that they can sell for cheap.

The retail markets are open until 7:00pm. Its busiest hours are from 9:00 am-11:00 am. These hours correspond to the hours directly before lunch, which is the most important meal of the day in Chachapoyas. Retail markets are virtually empty of customers at lunch hour, which is 1:00 pm. By early afternoon, the market has mostly cleared out. In most households, dinner consists of leftovers or a small meal out. Restaurants normally have limited dinner menus that consist of whatever they have available. Thus, the markets really have no reason to remain open much after lunch. Most retailers close up and go home at around 2:00 pm. At that point the retail markets, especially the produce sections, are virtually empty.

For the most part, buyers of potatoes consist of two groups. The first group consists of housewives and domestic help cooking for their families. They buy only for the day’s lunch for their household unit. The second group consists of small restaurant operators. This group buys considerably more. Both groups only buy what is necessary for that day, and they return every day. Most have regular vendors, but they care careful to check other retailers as they make their way to the regular retailer. The regular relationship is more based on small extensions of credit. At a regular retailer, many
buyers do not have to pay at the point of sale. However, they do have to pay regularly. The reason for this is likely, especially in the case of domestic help or small restaurants who send employees, that the actual buyer does not fully trust the help. Household heads or restaurant owners settle up with retailers in person every few days or at most weekly.

The markets officially close at 7:00 pm when the doors to the street are closed at.

As mentioned above, most market activities are concluded far before that time. By 4:00 pm to 5:00 pm both markets are essentially closed. In the Central Market, all that remains are the municipal cleaning crews mopping up after the day’s activities. Retailers bring products into their stalls, and maroon steal doors are padlocked. In Yance, most stalls are secured for the night by wooden boards, bailing wire, and plastic tarp.

Retail Markets and the State

The relationship between retail markets and the state is a landlord-tenant relationship. The state owns and operates both markets. Tenants pay rent, 60 Soles per month for a stall and 50 cents per day for a table. With this in mind, the relationship between marketers and the state is one of caution. When state representatives appear, marketers get nervous that they are looking to change something about the current setup, which more or less suites retail marketers needs. There is an indirect state presence in the market including policing, monitoring, and maintaining facilities.

Though retailers pay what we would consider rent, many describe that payment as a tax. When asked about these payments and if they were a tax, many informants
replied in the affirmative. In the case of one stall operator, the response was “Yes, we pay taxes at 60 Soles monthly.” Whatever we call it, retail marketers are responsible for paying something to the state. If they do not pay the state can and will close them down.

The closed furniture or carpentry workshops attached to the Yance Market mentioned above are evidence of this. There is a waiting list of potential marketers waiting for stalls, and those in line would be happy to pay that amount for a chance in the market. Vendors that simply squat in stairwells or corners to vend their products do not pay. Technically, they represent an illegal presence in the market, but there is no significant attempt to remove them.

In both markets, vendors are wary of state involvement. When marketplace inspectors begin to poke around in the market, vendors assume they are looking to change something about the current setup. The change, in their opinion, would only serve to impede their commercial operations. They might be gauging the economic situation in anticipation that the rent be raised. They might be looking to improve market facilities, which would require markets to close for a period of time. They might be looking for contraband, pirated DVDs being the main form. This is evidenced by the fact that I was usually identified as an employee of the municipality. In fact, many vendors refused to speak with me on those terms. In the cases where I was able to establish some level of trust and prove that I was not employed by the state, informants explained their initial hesitance. “I thought you were looking for contraband or looking to charge me something. Sometimes they do projects and we must close. I do not like to talk a lot with the municipality. It cannot be good when officials come.” Like most
tenant-landlord relationships, there is cause to be nervous when the landlord shows up. Landlords rarely present themselves unless there is a problem to that needs resolving. However, in conversations with the municipality, I was told that there were no current plans to do any of these things that retail marketer mentioned.

There are a number of ways the state is indirectly involved in the market. Indeed, both the municipal building and the police headquarters are less than one block from the Central Market. First, the police presence is obvious. For example, in the Central Market police keep watch at all four corners of the market. Those selling contraband items, pirated DVDs for example, take care in hiding those products and avoiding policed locations. On the other hand, the police are largely indifferent to the market. They spend most of the day chatting amongst themselves and directly traffic. Indeed, I assume that if the officers are like most Chachapoyans, they are customers of pirated DVD vendors when off duty. Second, the Ministry of Agriculture, the municipality, and the Ministry of Health closely monitor the market. Ministry of Agriculture employees explained that this was merely a function of their job and was required by the national government in Lima. They were ultimately unsure about why the data was needed. The municipality is involved in the maintenance of both markets. When the market closes, municipal employees sweep out the hallways of both markets. They occasionally clean the restrooms, and they maintain the buildings’ electrical services. The Ministry of Health monitors the market for safety, evidenced by a closed stall in the Yance Market with a list of health violations posted on its plastic tarp.
Retail Markets: Wages and Social Security

Wages and incomes in the retail market are based on sales, just like at the production and the wholesale level. Retailers buy at whatever price they can get in the wholesale market. They change the size of potatoes sold, from sacks to kilograms, and make a modest mark-up. Social Security is non-existent for retail markets. For reasons I will explain below, in contrast to producers and wholesalers who are potential recipients of benefits through the Pension 65 program, it is unlikely that retailers could participate in that program.

A retail marketer’s income is based on selling products at a profit. At this level in the channel, products are not sold by sack but by kilogram. One retail market woman reported that if she buys a sack at 48 Soles (which she did that week), then she would sell it at 1.30 Soles per kilogram for a profit of 17 Soles per sack, a 35% increase. Another retailer reported that if she buys at 50 Soles per sack (which she also did that week), she would also sell at 1.30 Soles per kilogram, for a profit of 15 Soles per sack, a 30% increase. Prices tend to drop as potatoes begin to ruin. In this case, retailers sell off whatever they can for whatever price they can. As Irma, a market woman in the Central Market put it, “One has to sell for cheap so as to not end up without capital. One can never lose capital.” However, this does not happen very often as retailers usually sell everything before ruin. Informants in both retail markets reported that they sell anywhere from one to eight sacks per week.

The main difference in income at the retail level is that potatoes can be saved. Whereas in the production and wholesale level sellers must sell everything they have
each week to prepare for the next week, retailers replenish stock whenever they run out or the products start to ruin. So not every retail marketer goes to the Yance Street Market weekly. One retailer might buy when prices are low, and the potatoes may last them until prices rise. Unfortunately for retailers, the opposite is also true. A retailer may buy when prices are high and be forced to sell at a loss when prices drop.

In terms of social security, retailers do not contribute to any social security fund and they likely do not receive benefits. I say likely for a reason. Theoretically, retail marketers might be eligible for Pension 65 program. However, no informants in the sample where over 65 years old at the time of this study. The second requirement of the Pension 65, that the recipient be in a state of extreme poverty, makes it problematic for retailers. While interviews were conducted in the markets and I was not invited into any retailer’s home, it appeared to me that retailers are obviously better off than their counterparts in the production level in Maria.

For example, the mostly female market vendor population would not be considered the head of the household. All informants in my sample were married or had long-term relationships, and their husbands were otherwise employed. Therefore, households had two sources of income. In Maria, both spouses depend on the fields. All retail marketers had cellular phones; many have color televisions in their stalls; and nearly all retailers had some sort of music set up, usually a multidisc changer, in their stalls. Of course, there are problems with these criteria. For example, ironing technology seems a poor gauge of poverty. Some of the nicest homes in Chachapoyas are older and made of adobe, which SISFOH considers an indicator of poverty. Most households
regardless of economic status consider refrigeration an unnecessary technology.

Whatever other problems there might be with these criteria, it seems unlikely that market retailers would fall into the lower 20% of the population.

*Retail Markets: Size and Organization*

Size of vendor enterprise is relatively stable in both markets. Standardized stall size makes all vendors spatial equals, and tables are all of similar size. Retail vendors work alone and for themselves. Concerning size and income, it is difficult to say if there is a difference between vendors as each week offers a different market and some retailers rely on potatoes more than others. Finally, because retailers are renter/operators and have no employees, there is little organization necessary for each market woman to conduct her business in the market.

In the Central Market, stalls measure approximately two meters wide by four meters deep. Retail stall vendors’ products usually spill out into the hallways. Tables in the central market vary, but the normal size is approximately one meter by .5 meters. Stalls in the Yance Market are slightly wider and less deep, approximately three meters wide by two meters deep. There are no table vendors in Yance. In this spatial context, stall size obviously cannot vary as the market was constructed so that all stalls are a standard size. As such, retailers cannot truly hope to see any significant growth of their commercial activities.

The great majority of stalls are occupied by the female owner/operator. Sometimes, her young children help out, but their contribution is minimal. The woman
buys products, arranges them for sale, and attends to customers. All of the market women with whom I spoke were the renters of the stall or table. That is, an absentee renter employed none.

In terms of sales, retailers reported that they sell anywhere from one sack to eight sacks of potatoes per week. The reason for variation is that some retailers may specialize in other products. Some retailers feature potatoes, especially the agricultural outlets. Others, such as the bodeguita type retailers, may vend potatoes but their main products are household necessities. The only difference in terms of size would be between stalls and tables. Stalls offer more space and vendors can diversify in what they offer. Tables generally offer only food products for the most part. Given that they have less to sell, both quantitatively and qualitatively, they earn less. This is also reflected in the price they pay to the municipality to be in the market.

As to enterprise organization, because retailers are renters/operators, there really is no organization of which to speak beyond the individual. There are no employees to manage, save small children who mostly play. As to how they do business, most records are kept in a simple notebook. These are used to do the simple mathematics of each customer’s order. Handwritten receipts can be produced, when requested such as when a customer has to report to someone else, perhaps a restaurant owner for whom they are buying. However, most of the time there are no records kept except for the rough notes taken to total a sale.
Retail Markets: Method of Transfer and Trust

Transfer at the retail level is entirely monetized. Within the retail market, there is not much exchange that takes place between vendors, with one exception described below. Between retail vendors and consumers, the majority of transactions involve cash exchanged at the point of sale for products. A modest amount of credit is extended but requires quick repayment.

Between retailers, there is little exchange. Retailers buy at the wholesale market at Yance and vend to housewives and small restaurants. The only time a retailer exchanges with another retailer is in the case when a product runs out and the customer is a regular. If a retail vendor runs out of a product for a regular customer needs, they buy from another retailer. This is done through children who are sent to another vendor and pay retail prices for the given product. The original retailer passes the product on to the customer with no price increase. This is done to keep the regular customer. If the customer is not regular, the retail simply explains that she does not have the product.

As to how potatoes leave the market, nearly all transfers are monetized and payment is expected at the point of sale. Customers in both retail markets almost always pay in cash when they buy. Transactions are friendly but formal. Retailers inquire after the health of the buyer’s family or how business is going in the case of small restaurant owners. Small talk abounds. However, the relationship is primarily economic evidenced in two ways. First, customers who have a preferred vendor monitor other retailers’ products for price and quality. Given the size of the retail markets, it is impossible not to pass a number of vendors. As customer do so, they inquire about prices and browse
quality with no intention of buying. One day, as I was walking through the market with a small restaurant owner, she did just that. I knew she had a preferred retailer, but as she explained, “I trust [my regular buyer] more or less, but I have to make sure.”

The second way the relationship is mainly economic can be seen in the lack of credit. The majority of customers, both regulars and non-regulars, pay in cash at the point of sale; however, small amounts of credit are extended with no interest to regular customers. The time frame for payment is extremely short, usually a matter of hours or days at most. Because the size of the exchange is small relative to the production and wholesale levels, a default on credit does not represent a significant loss for retailers. For example, at the wholesale level, Maria’s wholesaler vends a minimum of 15 sacks, usually more, at a price of 45 Soles at the time of research. Thus, one default would result in a loss of hundreds of soles. In retail markets, potatoes are sold by kilogram for approximately 1.30 Soles, and customers rarely buy more than a few kilograms at any time. Most Chachapoyans normally carry that kind of cash on them, so credit is not really necessary. For the retailer, a transaction gone badly would only result in the loss of a handful of Soles. In this way, we do not see a need for high levels of trust.

However, in the unusual cases when the debt is significant, retailers resort to public shaming. Listas de Morosos (Lists of Debtors/Defaulters) are displayed prominently on white dry-erase boards outside many stalls. These both embarrass the debtor and advise other retailers to not do business with the debtor. However, these are uncommon in the retail market of produce. Listas de Morosos are much more common in electronics or appliance stores, because exchange involves hundreds or thousands of
Soles. At this amount of money, credit is necessary in most cases in Chachapoyas. With credit, further mechanisms of enforcing trust become necessary, like the Listas de Morosos.

The importance of regular customers and credit can be overemphasized. All informants reported that they do have regular customers, but they also explained that most of their business is done with the public in general in terms of number of customers. Credit is not extended to this public, as the retailer does not trust them to return. The terms regular customer refers more to a routine that a buyer has established and less to any qualitative characteristic of the relationship with the wholesaler. As I questioned one young housewife about her choice of sellers and their relationship, she explained, “I suppose she is cool. I have just always gone to her. For three years. That’s where my mom went.”

While retailers are willing to extend little credit for a short period of time to regular customers, most customers still pay in cash at the point of sale. If they do not, the small size of a usual debt allows retailers to cut debtors supplies without a significant loss. If the debt becomes significant, which is uncommon, and the relationship is not friendly enough that retailers will not resort to public shaming to motivate repayment. So, in the retail markets of Chachapoyas trust is enforce by cash payments made at the point of sale.
CHAPTER VII
HYPOTHESES REVISITED AND DISCUSSION

Before delving into whether or not hypotheses are supported, a recap of those hypotheses would be helpful.

H1: Actors and institutions will increase in formality as products move from production to consumption in three ways.

- H1A: There will be less state involvement at the production level than at the retail level. The wholesale level will fall in between,
- H1B: There will be a less formal wage structure and less social security protection at the production level than at the retail level. The wholesale level will fall in between.
- H1C: Size and corporate organization will be less at the production level than the retail level. The wholesale level will fall in between.

State Involvement

To reiterate, according to Smith (1989) informal economic sectors are those that escape state monitoring and taxation. Formal economic sectors are monitored and taxed by the state. According to hypothesis 1A (H1A), production should not be monitored or taxed by the state. This hypothesis, at least the production component, is supported by the data. I have characterized producers’ relationship with the state as ambivalent and disinterested. Potato production is not directly monitored by the state, and no taxes are
charged. Moreover, producers do not necessarily see state involvement as an unwanted intrusion. The state is conceived of as a potential source of aid.

However, to say that the state plays no role in the production process, and production is, therefore, “outside of the ken of the government” is inaccurate (Smith 1989:292). The state, through the auspices of the local municipality, has been helpful in providing new seed, a direct, important input in the production process. The state provides a minimal level of healthcare to producers in Maria, an indirect, important service that keeps laborers able to do their work. In addition, while I have discussed the Pension 65 program in sections on wages and social security, Pensions 65 could also be considered an important state input. However, only two of ten informants at the production level received Pension 65 benefits. The problem is that Marians do not consider these important economic inputs as coming from the state. Services come from members of the community who happen to hold government jobs.

Therefore, I suggest that the first part of H1A is supported by the data if we stick to a strict interpretation of Smith’s (1989) definition of state involvement. Thus, we should consider the production process as an informal sector. However, it is important to note other forms of state involvement that are not related to monitoring and taxation. If we consider state involvement more broadly, H1A is less supported by the data.

According to the second component of hypothesis 1A (H1A), we should see increased state involvement in monitoring and taxation at the wholesale level. This component is also supported by the data. This is because the wholesale market is monitored by the state; however it is not taxed by the state. I have characterized the
attitude of wholesalers to the state as indifferent. They see no reason why the state would be involved in their activities. State representatives do monitor the wholesale market. They keep careful records of prices each week, but those records are not systematically kept. It is unclear how the state uses the data. Certainly, they are not used for taxation purposes.

I have suggested that the state is involved in the wholesale market in indirect ways. The wholesale market is well policed, and municipal cleaning crews maintain it. Most wholesalers are farmers as well. So, I suggest that the state involvement at the production level, in terms of state subsidized health services, extends to the wholesale level indirectly. For example, Franco, Maria’s wholesaler, lives in Maria most of the time and would be able to call upon Maria’s doctor or nurse if necessary.

Again, in a strict interpretation of Smith’s (1989) definition of state involvement, there is an increased state presence on the wholesale level from the production level. The wholesale level fulfills one (monitoring) requirement that we do not see at the production level. The other requirement (taxation), we do not see at either production or wholesale level. However, if we consider state involvement more broadly the state has less of a presence on the wholesale level. This is because the direct provisioning of seed is obviously a more direct economic input than policing or cleaning. Therefore, in a lose sense, the second component of H1A is less supported.

The third component of H1A, that monitoring and taxation levels will be the highest at the retail market level is moderately supported. I have characterized retail marketers’ relationship to the state as wary. The state monitors the economic activity in
the market, especially prices but also quality. Like the wholesale level, it is unclear as to how the data collected is used in terms of prices, but retail enterprises can be shut down if they fail to meet health department standards. Taxes are not paid in the broad sense that marketers do not pay tax on exchange. However, they do make monthly payments to the municipality. These payments are more of a rent, but retail marketers explicitly describe this payment as a tax. Thus, if we loosen the definition of tax to include any payment made to the state, H1A is more supported.

State involvement, broadly conceived, also increases in the retail market. The police presence is high, and marketers are fearful of state involvement. Prohibited items (usually pirated DVDs) are concealed when state representatives enter the market. Marketers are apprehensive about state projects to improve the market that could shut them down temporarily. Therefore, state involvement in a broad sense also increases at the retail level and supports the third component of H1A.

In short, H1A is supported by the data in a strict application of Smith’s (1989) definition. The levels in the market channel become increasingly formalized from production to retail. There is no monitoring or taxation at the production level. There is monitoring, but no taxation, at the wholesale level. There is both monitoring and taxation at the retail level. However, if we conceive of state involvement broadly, H1A is less supported since state involvement in that sense exists on all channel levels.
Wage Structure and Social Security Protection

According to Portes and Walton (1981), a formal economic sector can be evidenced by a formal wage structure and social security protection. According to hypothesis 1B (H1B), there should be a less formal wage structure and no social security protection at the production level. The first component of this hypothesis is only moderately supported by the data. Wages, loosely defined as income producing activity, are earned in four ways: production for sale, peon labor, minga labor, and labor paid for per unit of work done. Producers move fluidly between these four types, none of which could be considered as a formal wage structure. As to social security, there is evidence that producers, when they reach 65 years old, receive non-contributory social security aid through Pension 65. Whether or not they take advantage of it does not matter. It is available.

The second component of H1B, that wages will exhibit increased formality and have more social security protection at the wholesale level, is moderately supported. As to wages, wholesalers themselves earn their living through marginal profit. As to labor, assistants are paid per sack of potatoes moved. The amount is set and not negotiable. Thus, wages are more standardized, which I understand as more formalized, in the sense that there are less ways to earn income than in the production level. In terms of social security, wholesalers, who themselves are producers in communities like Maria, would theoretically qualify for Pension 65. However, none of the wholesalers with whom I conversed met the age requirement of that program, though they may someday.
Therefore, the third component of H1B, wages and social security in the retail level, is moderately supported. Income is earned through marginal profits through sale, minus rent and personal labor cost. There is little or no labor, outside of the little help of children, necessary at the retail level. As to social security, there is little evidence that retail marketers have any type of protection. Given that the Pension 65 program requires extreme poverty, I doubt retail markets would qualify.

In general, H1B is only moderately supported. The problem stems from Portes and Walton’s (1981) tautological definition of formal wage structures. Portes and Walton’s definition has the problem of defining formal economic sectors by formal wage structures. It begs the question, “What does formality mean in terms of wages?” In this study, I suggest that formal wage structures are more standardized than informal ones. For example, there are four, fluid ways of earning income at production level, two set ways at the wholesale level, and one set way at the retail level. So, we might say that the market channel exhibits increased formality from production to retail in terms of wages. As to social security, we actually see less social security protection along the market channel. There is evidence that at least some producers receive social security benefits. Whether or not they take advantage those benefits does not matter; they are available. There is evidence that wholesalers have the potential to receive such benefits, and retail marketers would likely not qualify for those benefits, as they are not extremely poor.
Size and Organization

To recap, according to Dannhaeuser (1989) informal enterprise units are smaller and exhibit less corporate organizational structures. Again, in this study corporate organizational structure does not mean incorporated into a legal body. Accordingly, the first component of hypothesis 1C (H1C) holds that size and corporate organization should be less at the production level. I suggest here that the data make it difficult to support or refute this hypothesis conclusively. This is because the data suggests that size varies even over short periods of time. Informants reported owning relatively large amounts of land, however much of that land goes unused in each agricultural cycle. Producers engage in campañas based on various considerations noted above. At times, production size can be as small as a small garden. At other times, production can be carried out on multiple hectares. Labor, and therefore organization, varies accordingly. Moreover, each step in the production process requires a different amount of labor. At times, the household can provide sufficient labor. At other times, producers must obtain other short-term labor in various ways described above. In terms of amount of income generated, size varies from campaña to campaña. A small campaña can produce impressive gains if the market is up. A large campaña can lead to significant losses if the market is down.

The second component of H1C applies size and income generated to the wholesale level. The wholesale level should be larger and more corporately organized than the production level. In this case, the results are also inconclusive. This is because size of wholesale operations depends on the size of production, which varies greatly. In
terms of income, wholesalers’ profit margins vary according to market prices, which depend on regional production levels. As to organization, labor is better organized. Laborers are paid set wages for their work, but the amount of labor necessary depends on how much was produced. At times, high production means many laborers are necessary. When production drops, the need for labor drops accordingly.

The third component of H1C holds that size and corporate organization should be greatest at the retail level. Once again, my data suggests that this hypothesis cannot be conclusively supported or refuted. Size, in terms of space, is set by the structure of the market. A marketer cannot really grow outside of the confines of the cement stall in which they operate. Retailers cannot sell more than what can fit into their stalls. This, of course, has restrictions on how much can be earned. In addition, this study’s concentration on potatoes makes income difficulty to determine. At the production and wholesale levels, potatoes comprise most of business. Retailers specialize differently. Potatoes comprise a large proportion of some vendors’ sales. Other only sell potatoes to complement another product line. Thus, it is difficult to say what percentage of retailer’s income can be contributed to potatoes. This is especially true given that retail vendors do not keep systematic records of sales. As to corporate organization, that is how labor is organized, there is none to speak of as retail marketers operate individually. There is no labor to organize.

Thus, I suggest that H1C is ultimately inconclusive. Size and organization are difficult to apply in this context. At the production level, size varies, not only between household enterprises, but also within households in each campaña. The size of
wholesale operations is completely contingent on how much has been produced. Retail marketers are confined by space, and are the same size. The amount of labor employed actually decreases along the channel, and income depends on market conditions. The organization of labor, in the production and wholesale levels, depends on the amount being produced, which fluctuates. At the retail level, it is difficult to speak of organization because enterprises are individualistic. The real problem with Dannhaeuser’s criteria (1989) is not inherent in the characteristics of size and organization. The real problem arises in the application of size and organization to different types of firms along the channel. For example, how could we say conclusively that a production campaña, of say one hectare, is bigger or smaller than a retail vendor who sells say six sacks of potatoes each week. Because of the nature of the enterprise, variables do not relate well to one another. Dannhaeuser (1989) primarily deals with retail markets, in which size and organization are easily compared between firms that serve similar functions. Along the market channel, firms serve different functions. In short, the comparison along the market channel is one of apples to oranges and makes it difficult to conclusively support or refute H1C.

In sum, hypothesis 1 (H1) is largely unsupported. H1A is supported if we define state involvement narrowly (monitoring and taxing), however problems arise when we consider state involvement more broadly. H1B is only moderately supported. The problem stems from defining the formal sector as that which has a formal wage structure, as done vaguely by Smith. What is formality to begin with? Even when variables are operationalized in terms of how incoming earning techniques and the terms
of remuneration are structured, we do not get a clear picture of what formality means. Therefore, the data make H1C inconclusive. The problem stems from the inability to compare enterprise size and corporate size in like to like terms. Size, considered along any number of axes, does not compare well between different types of firms. As to H1 as a whole, we can say that only one of the traditional models that deals with formality/informality is able to systematically diagnose increased formality in the potato market of Amazonas, and that is the degree of state involvement in a narrow sense.

Method of Transfer and Trust

Before examining these hypotheses, it would be helpful to reiterate and summarize what the methods of transfer are as I have defined them and the hypotheses associated with them.

- Market Exchange: This method combines the market exchange of Polanyi (Hunt 2002; Polanyi 1957) and negative reciprocal exchange of Sahlins (1972). Market transfer, for the purposes of this study, is based on the law of supply and demand but also an attempt to get something for nothing. Maximization of profit is the key to understanding market exchange in this study. I use Polanyi’s term, rather than Sahlins’s, because of the association of negative reciprocity with theft, which only represents the extreme form of negative exchange.

- Balanced Reciprocity: Balanced reciprocity refers to direct an equivalent exchange without delay. The major difference between market transfer and balanced reciprocity, as this study defines the terms, is that the terms of the exchange are relatively fixed by tradition. That is, balanced reciprocity is not as
sensitive to forces of supply and demand, and restitution is instant. It is also important to note that balanced reciprocity does not mean non-commercial.

- Generalized Reciprocity: This method of transfer encompasses Polanyi’s reciprocity, Mauss’s gift exchange, and Sahlins’s generalized reciprocity. This type of exchange takes place between people who are bound in non-market, non-hierarchical relationships (Hunt 2002). It also takes on the characteristics of Maussian gift exchange (1969). It includes Sahlins’s generalized reciprocity in the sense that exchange may include altruism, sharing, and hospitality. The big difference between generalized reciprocity and the other two forms of exchange is that terms of generalized reciprocity are often veiled in a multifaceted social relationship that requires a thicker description to understand the exchange (Geertz 1973).

Before turning to the transfer hypotheses, I will relate the ethnographic data to the above methods of transfer. I consider three transfers: the exchange of labor within each level, the exchange of products within each level, and the exchange of products out of each level (See Figure 12).

Production

**Labor Transfer at the Production Level**—Within the production level of the market channel, I have noted four sources of labor, three of which require a transfer. The three sources of labor all evidence different methods of transfer. Peon labor that is paid a per diem wage can be best understood as a market exchange, which is sometimes monetized or in kind depending on the market price for potatoes. I call it market
exchange because of the attempt at maximization of profit. Labors may be lazy in the
eyes of landowners, and landowners may be too demanding in the eyes of laborers.
Labor paid for per unit worked falls more squarely into the category of balanced
reciprocity, also sometimes monetized, in that it corrects for the issue of profit
maximization in peon labor. Minga labor falls into the generalized reciprocity category.
Labor is not immediately or obviously compensated, but the return transfer is evidenced
later with the reciprocal return of labor at harvest time.

Product Transfer at the Production Level—There are little to no products
exchanged between producers, other than when labor is paid for in kind.

Product Transfer from Producers to Wholesalers—As to the how products
initially enter the market channel, the transfer from producers to wholesalers is best
described as a monetized, market exchange with an element of generalized reciprocity. It
is a market exchange because the law of supply and demand determines prices.
However, the market exchange only conforms to the forces of supply and demand
insofar that actors allow these forces to work. Maria’s wholesaler could, in theory, wield
his monopsonistic power and attempt to a higher profit at the expense of his clients.
Similarly, producers could package their potatoes in a way that would not allow the
wholesaler to gauge quality by putting higher quality potatoes at the top of the sack.
These hypothetical situations would fall towards the more negative reciprocal exchange
end of the market exchange spectrum, but as far as I observed, neither happens in Maria.
To understand why, we must take into account the non-market, non-hierarchical
relationship within which the market exchange is embedded. This evidenced by the fact that my informants will not do business with wholesalers from outside the community.

**Wholesale**

**Labor Transfer at the Wholesale Level**— Within the wholesale level, labor transfer can be classified as monetized, balanced reciprocity with a small element of generalized reciprocity. Wholesale assistants, those who move products, are paid an equivalent wage (one Sol/one sack) for their work without delay. Assistants usually gain this employment through kin relationships. Thus, the economic relationship is preceded by a non-market relationship. Admittedly, the level of generalized reciprocity in this transfer is small. Certainly, the generalized reciprocal element is less important than the minga labor relationship at the production level.

**Product Transfer at the Wholesale Level**— The exchange of products within the wholesale level can be characterized as a monetized, market exchange, because the exchange takes place in the context of the law of supply and demand. Small-scale, wholesalers from other markets, who bring nothing to sell, attempt to buy products from known wholesalers. They may take these products to their home market, or they may immediately attempt to re-sell the products at a higher price.

**Product Transfer from Wholesalers to Retail Vendors**— The exchange that sees products move from the wholesale level to the retail level can be characterized as monetized, market exchange. Wholesalers, as a group, discuss supply and demand and, based on that, determine an appropriate price. However, because of the large amount of
credit extended to regular buyers, this form of market exchange can tend toward the negative reciprocal end of that spectrum. As I have explained, wholesalers often have a difficult time in debt collection, which could ultimately result in theft. As such, wholesalers develop a more personal relationship with those to whom they extend credit.

Retail

Labor Transfer at the Wholesale Level—Within the retail level, there is little to no labor exchange. Retail market firms are owner-operated. Sometimes children help in small ways, which could be considered generalized reciprocity, but their labor input is minimal.

Product Transfer at the Retail Level—There is little to no exchange of products within the retail level. Sometimes, retailers do purchase from each other, which would be characterized as a market exchange, but that is uncommon.

Product Transfer from Retail Vendors to Consumers—As to the exchange that allows products to exit the retail level to consumers, the transfer can be characterized as a market exchange that is monetized. It is market exchange because it complies with the law of supply and demand. The issue of credit is not as salient in the retail level as it is in the wholesale level. Credit amounts are very small, and credit is quickly repaid in most cases.

Method of Transfer and Trust Hypotheses

Hypotheses related to method of transfer are as follows:
H2: There will be a greater variety of methods of transfer, which reflect different means of maintaining trust (personal or impersonal) at the production level than at the market level. The wholesale level will fall in between.

- H2A: The production level will exhibit a relatively large variety of methods of transfer that reflect more personal means of maintaining trust.
- H2B: The wholesale level will exhibit an intermediate amount of variety of methods of that reflect less personal means of maintaining trust.
- H2C: There will be a small variety of methods of transfer that reflect more impersonal means of maintaining trust.

To see if these hypotheses are supported, we must interpret them in terms of the three transfers that I have examined: labor transfer within channel levels, product transfer within channel levels, and product transfer between channel levels.

When we look at H2 in terms of labor transfers within the channel levels, H2 is largely supported. At the production level (H2A), there are three types of labor transfer that exhibit three different methods of transfer—peon labor (market exchange), labor paid for by unit worked (balanced reciprocity), and minga labor (generalized reciprocity). These three methods of transfer mirror different mechanisms of maintaining trust. Peon labor, precisely because landowners cannot fully trust workers and vice versa, falls under the rubric of market exchange as each actor tries to maximize benefits. Labor paid for by piece attempts to structurally correct for that level of distrust by balancing the exchange. Minga labor requires high levels of personal trust that one’s labor will be reciprocated at the appropriate harvest time. Unlike the other two labor
transfers, only minga laborers must be close friends or family. At the wholesale level (H2B), the labor transfer exhibits two of the methods of transfer. Labor is paid for per unit worked (balanced), but still requires some level of trust lest the exchange devolve into the extreme negative form of market exchange, theft. Because of this, most laborers are personal friends or family of the wholesaler. At the retail level (H2C), because of enterprise size, there is no labor transfer.

If we consider H2 in terms of product transfer within the channel levels, H2 is not supported. At the production level (H2A), there is little product transfer except when labor is paid in kind. As such, there is little trust to maintain. At the wholesale level (H2B), there is a large amount of product transferred among wholesalers, but at the retail level (H2C), there is very little product transfer.

Finally, in terms of product exchange between channel levels, H2 is moderately supported. I have characterized the transfer from production to wholesale (H2A) as exhibiting two types of method of transfer, market and generalized reciprocity. The market exchange that takes place from the production level to the wholesale level could result in monopsonistic abuse. A single exchange sees thousands of Soles traded for the result of a six-month campaña. Stakes are high and trust is imperative. However, Marian producers are not at all worried about being taken advantage of. This is because the transfer is not purely a market exchange. There must be another element in the relationships between producers and the wholesaler that ensures trust. In this case, it is the inter-communal and familial relationship that the wholesaler shares with producers that gives the transfer an element of generalized reciprocity. Furthermore, the inter-
communal and familial relationship precedes the commercial one. Simply put, farmers in Maria only trust, and therefore only do business with, wholesalers who are friends and family. If a new wholesaler enters Maria without this relationship with the community, Marians do not sell.

From wholesale to retail (H2B), I have characterized the transfer as a market transfer, though it can tend toward a more negative reciprocal transfer because of the problems with credit. As credit is a large part of the wholesale to retail transfer, high levels of trust are necessary. To this end, the relationship between wholesalers and their buyers has necessarily taken on a more personal nature. Wholesalers know how to contact their regular buyers, via telephone or place of business. However, unlike the exchange between producers and wholesalers, the commercial relationship precedes the personal one.

From retail to consumer (H2C), the transfer is almost purely a market transfer and means of enforcing trust are impersonal. Credit is less important (largely not extended) and single transfers are minimal in terms of quantity. Because of this, there is less trust needed to maintain the relationship. If trust is broken on the part of the vendor in terms of high prices or low quality, customers simply buy elsewhere in the retail market and have no problem doing so. The loss would be a matter of a few Soles. In addition, in the case of extremely low quality, the municipality may shut the vendor down. Customers have very little opportunity to violate the trust of vendors. Very little credit is extended and only to regular buyers. In the rare case that debt becomes significant, retail vendors may shame the debtor into paying through a public display of
debtor. I have suggested that the discussion of regular buyers can be over-emphasized. Retail vendors reported that the majority of their business is done with the public in general who pay in cash at the point of sale.

Thus, I argue that H2 is moderately supported. In terms of labor transfers, H2 is supported. At the production level we see three transfers, each corresponding to a different type of transfer that mirror varying levels of trust. When we economic activities are embedded in close personal relations, we see higher levels of generalized reciprocity. When there the exchange is less personal, we see economic relationships that are more market exchange or balanced reciprocity. At the wholesale level, we see one labor transfer that exhibits two different types of transfer. The labor exchange is balanced, but wholesalers prefer laborers with whom they share a personal relationship as to discourage theft. At the retail market level, there are no labor transfers. As to product transfers within channel levels, H2 is unsupported. There is very little product transfer at the production level, two types of transfer at the wholesale level, and zero transfer at the retail level. In terms of product transfer between channel levels, H2 is moderately supported. The transfer that moves productions from producers to wholesalers is based on market prices and forces of supply and demand, but that market exchange is based in a relationship of generalized reciprocity. The transfer that moves products from wholesalers to retail vendors is a market transfer, though because of the high levels of credit involved, the economic relationship has characteristics of a close personal relationship. The transfer from retailer vendors to consumers is highly impersonal, and
trust is maintained by insisting on cash at the point of sale. As well, the municipality provides some level of quality control to protect consumers.

Discussion

I see two ways we can interpret the results of this study given that only roughly half of its hypotheses—state involvement (narrowly defined) and methods of transfer—are supported. They both relate to the overall assumption that the market in question becomes increasingly formal along the market channel. The first interpretation involves a rejection of this assumption. That is, the potato market in Amazonas is either a formal or informal market and does not increase or decrease in formality along the channel.

The second interpretation involves maintaining the assumption that the potato market in Amazonas increases in formality along the market channel from production to retail. If this is the case, then we must admit that two of our tradition models—wages and social security and size and organization—of understanding the formal/informal distinction cannot account for the increased formality. However, I have argued that the difficulty with these models for this study is based in defining terms tautologically (wages and social security) or an inability to compare variables along the market channel (size and organization). As such, these models did not refute the overall assumption of increased formality along the channel. Rather, they were simply inconclusive. As well, this study’s contention that method of transfer could accurately diagnose formality/informality is, for the most part, supported especially in terms of labor transfer and product transfer between channel levels. In the informal production sector, there is a high level of personal means of maintaining trust reflected in a variety of methods of
transfer. At the wholesale level, transfers are either market exchange or balanced reciprocity. However, because of credit, the economic relationship is more personal than at the retail level, but less so than at the production level. At the retail level, transfer is purely market exchange and is highly impersonal. As a result, I argue that the second interpretation is the better one.
CHAPTER VIII

CONCLUSIONS

Theoretical Considerations

This study explores has explored three concepts 1) formal/informal economic sectors as we currently understand them 2) method of transfer 3) trust along the flow of goods from agrarian community to a more urban market. The challenge of this study has been to integrate these elements to see how the formal/informal divide manifests itself in the context of an agricultural market and the manner in which the method of transfer parallels the divide.

Following the elements that characterize the formal/informal sectors outlined above, this study has kept in mind the role of the state in distinguishing between formal and informal sectors. It has considered Smith’s (1989) emphasis of state involvement in monitoring and defining the nature of taxes. It has suggested that this is an appropriate diagnostic when applied narrowly. However, it has suggested issues that have the potential to problematize this definition. Namely, that the state is involved in the agricultural market channel is various ways that do not directly relate to monitoring and taxation.

This study has paid close attention to formal wages and social security protection (Portes and Walton 1981). This has been shown to be less helpful in diagnosing increased formality along the channel. The problem is that the definition of formality presupposes that we know have a definition of formal wage structures. I have tried to
operationalize variables related to wages in terms of variety of methods in earning wages and set form of remuneration for labor. This has proved equally as problematic. As well, evidence suggests that producers in the informal sector actually have more access to social security protection than their counterparts in the more formal, retail sector.

This study has paid close attention to Dannhaeuser’s (1989) diagnostic, which suggests that size and organization characterize informality/formality. This idea has been shown to be less helpful along a market channel than it is within a level in the market channel. This is because the different variables characterize size and organization depending on the function of the firm.

This study has used Mayer’s (2010) “space in between” concept to illuminate socially embedded relationships between economic actors along the market channel. The suggestion of Mayer implies that we look to different methods of transfer to understand economic processes, and I have applied it to models that seek to understand formal/informal market sectors. However, it has expanded Mayer’s concept, which was developed only in the context of economic relationships within the production level, by applying it to the economic relationships among producers, transporters/wholesalers, and retail marketers. I have suggested while the method of transfer can, for the most part, systematically diagnose increased formality along the market channel of potatoes in Amazonas. The different methods of transfer all reflect different mechanisms of maintaining trust based on personal or impersonal relationships between agents.

I have suggested that the reason that we see the method of transfer differ between formal and informal sectors is based in the means to trust among economic actors. At
the production level, actors do relate in economic ways but the basis of their relationship is found more in their communal or familial relations. At the retail level, most economic actors do not have a deep, socially embedded relationship, and we see it reflected in the economic sector. Thus, the method of exchange is qualitatively different in order to correct for the lack of inherent trust. Lastly, at the retail level, the relationship between actors is entirely economic and impersonal. Trust is maintained, or rather substituted, through an entirely market relationship based on small-scale exchange. If trust is broken, the relationship ends, and actors are largely unaffected.

Practical Implications

This research is timely as Amazonas is beginning to see a high level of interest from the state in the form of various development initiatives. The local office of the Ministry of Agriculture and The Research Institute for the Sustainable Development for the High Jungle at the Universidad Nacional Toribio Rodriguez de Mendoza (INDES-CES) have expressed keen interest in this study and the results it produces. These two organizations provided opportunities to see my research put to use.

The Ministry of Agriculture’s development efforts are in their infancy and are projected to unfold in two phases. The first phase aims to improve agriculture technically in terms of production and sustainability. This phase was nearing completion at the time of this research. The second phase aims to open new, perhaps international, markets. This phase was still in its planning stages at the time of this research. No doubt, socio-cultural research will prove increasingly useful in understanding the markets that this project hopes to manipulate.
For example, one afternoon in Chachapoyas, an agricultural engineer from the Ministry of Agriculture expressed his frustration to me in attempting to provide farmers with new, improved seeds. The problem, as he put it, was that the seeds were given to the farmers to plant. However, those farmers considered the seeds theirs to do with whatever they wished. The engineer explained that farmers gave the seeds away or traded them. I have my suspicions that the farmers did not give those seeds away, but they used them to pay for labor. The engineer explained the problem in terms of an ignorant peasantry unwilling to take the risk of trying a new seed to enable further growth and development. However, I suggest that a deeper understanding of exchange in rural communities would have enabled that engineer to foresee the problem. Research of this sort will be invaluable to the implementation of effective development initiatives. Moreover, research into exchange will need to follow the proposed expansion of markets to see how different methods of exchange in different, and international, markets will interact. What effect this will have on the currently agricultural market in Amazonas represents an opportunity for further research.

Finally, the Research Institute for Sustainable Development of the High Jungle (INDES-CES) represents the department of sustainable development at the National University- Toribio Rodriguez de Mendoza. There are a number of projects underway, and there are plans to expand the scope of this institute. We can assume that those currently being educated in INDES-CES will graduate and take positions in the Ministry of Agriculture or related industries. Interestingly, they currently have no social science researchers involved in these projects, and they see this as a serious concern. With this in
mind, we have discussed possibilities for mutual support and collaborative work. Potentially, this study, along and anthropological knowledge in general, will be integrated into the portfolio of knowledge at INDES-CES. In this way, this study represents the starting point of a larger project aimed at advancing environmentally sound, sustainable agricultural practices by incorporating socio-cultural knowledge.
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APPENDIX

Figure 1. Map of Amazonas
Figure 2. Map of Province of Luya
Figure 3. Map of Province of Chachapoyas
Figure 4. Maria Street Map
Figure 5. Plaza de Armas in Maria
Figure 6. Potato Field in Maria
Figure 7. Chachapoyas Street Map

Abbreviations:
YSM- Yance Street Market
CM- Central Market
YM- Yance Market
Figure 8. Plaza de Armas in Chachapoyas
Figure 9. Yance Street Market in Chachapoyas
Figure 10. Central Market in Chachapoyas
Figure 11. Yance Retail Market in Chachapoyas
Figure 12. Potato Distribution System: Market Channel and Methods of Transfer

Within Production

**Labor Transfer between Producers**
Peon - Market Exchange. Sometimes monetized
Payment per unit of work - Balanced reciprocity. Sometimes monetized
Minga - Generalized Reciprocity. Not monetized

**Product Transfer between Producers**
Little to None

From Production to Wholesale

Market Exchange and Generalized Reciprocity. Monetized

Within Wholesale

**Labor Transfer in Wholesale**
Assistants - Balanced reciprocity. Monetized

**Product Transfer between Wholesalers**
Small-scale, unknown buyers - Market Exchange. Monetized

From Wholesale to Retail

Market exchange. Monetized (credit important)

Within Retail

**Labor Transfer between Retail Vendors**
Little to none

**Product Transfer between Retail Vendors**
Little to none

From Retail to Consumer

Market exchange. Monetized (credit less important)