Politics of Legitimation: Transnational Policy in Banana Contract Farming in Davao, Mindanao, The Philippines

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Abstract

This research discusses contract farming—an agreement between farmers and processing and/or marketing firms, usually agribusiness transnational companies (TNCs), under a specific arrangement that commonly includes predetermined prices for the production and supply of agricultural products—in a transnational policy context. The study is dominated by institutionalism and materialism approaches which hold that structural changes coincide with economic development. However, this approaches raises a question about the role of actors in instituting, transferring, and challenging the norms of contract farming. This research seeks to challenge the literature by focusing on how contract farming, as a dual process, constitutes a territory for its actors to claim and reclaim their authority. Drawing on the implementation of agreements between TNCs and small farmers in Davao, Mindanao, we discuss the legitimation process within a context of strong state political control and complicated global market flows. Specifically, this research aims to understand how contract farming institutes a particular type of legitimation through the influence of transnational policy. Using the organisational and institutional legitimation approaches, we understand contract farming as a fluid and openly contested distributing authority. This research uses four data collection methods: desk studies, interviews, focus group discussions, and observation.

Keywords*:* *contract farming; politics of legitimation; transnational policy; transnational companies (TNCs); the Philippines.*

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Introduction

Recently, there has been an emerging interest to discuss contract farming—an agreement between farmers and processing and/or marketing firms, which are usually TNCs, under a specific arrangement that commonly covers predetermined prices for the production and supply of agricultural products (Eaton & Shepherd, 2001)—in the transnational policy interface. This is shown by studies in contract farming including integrating farmers' participation (Barrett et al., 2012; Arumugam, Mohamed, and Mohamed, 2011; Dubbert, 2019); understanding the relationship between global market and agrarian conflict (Vellema et al., 2011; Akram-Lodhi, 2015; Vicol, 2017); also, channelling welfare and economic development performance under the cooperation scheme (Eaton & Shepherd, 2001; Bellemare & Bloem, 2018; Bijman, 2008). Though the literature mostly uses a rights-based point of view, Diprose, Kurniawan, and McDonald (2019) suggest that legitimation in transnational policy is fluid. This perspective is important because they show how contract farming institutes a particular nature of legitimation through the influence of transnational policy.

The Philippines is known as the second-largest exporter of bananas in the world, responsible for 11.1% of global banana production—valued at US$1.9 billion in 2019 (Workman, 2019; Workman, 2021). Consequently, the country is often targeted by transnational agribusiness companies (TNCs) for investment (Vellema, 2002). Mindanao plays an essential role in the Philippines' agricultural economy, as it produces various products for export—including bananas (UMA, 2019). Davao, which is located in Mindanao, is known as the banana capital of the Philippines; in 2018, it produced 901.14 thousand metric tonnes of bananas—37.3% of the Philippines' overall production (PSA, 2018). Contract farming has been promoted as a prominent mechanism for integrating farmers into the global market, with farmers positioned as TNCs' partners (UNCTAD, 2011). However, this mechanism has been criticised due to the nature of these partnerships, wherein TNCs are dominant (Singh, 2005).

Contract farming demonstrates how international institutions, corporations, and states have established a system wherein resources are controlled by making agriculture private or state-owned. Several kinds of contracts govern various interests in the field, including centralised, nucleus estate, multipartite, informal developer, and intermediary (tripartite) contracts (Eaton & Shepard 2001). However, studies of contract farming have predominantly discussed the superstructure actors who arrange, institute, and implement the system and provide grassroots leadership (Brown, 2020). Studies predominantly understand authority as formal and fixed, bound by that which is stated in contract and policy. This view is problematic, as it does not consider the spillover effects of authority that work in contract farming and among its actors.

This research seeks to challenge this literature by showing contract farming as involving overlapping arrangements and loosely bounded, relatively coupled sets of relations between multilevel actors (Isegar, Fold, & Nsindagi, 2018). Drawing on the implementation of agreements between TNCs and small farmers—i.e., small landlord farmers and workers—in Santo Tomas and Compostela Valley, Davao, Mindanao, in 2019, we discuss legitimation within the context of strong political control and complicated global market flows. Specifically, this research aims to understand how contract farming realises a particular form of legitimation through a multilevel governance process.

Building on the approach offered by Diprose, Kurniawan, and Macdonald (2019) for understanding political legitimation and transnational policy, this study tries to fill the gap in the literature by addressing how power is distributed within transnational policy. Diprose, Kurniawan, and Macdonald argue that distribution authority in transnational policy tends to be more fluid and openly contested (Diprose, Kurniawan, & Macdonald, 2019), as transnational policy offers more space—understood, per Davoudi and Strange (2009), as economically, socially, and culturally produced—for actors to create and exercise authority (Faludi, 2012). This approach can be further strengthened by the rights-based approach, which focuses on social justice. This allows us to understand how the actors encourage contract farming as part of a legal rights claim under certain conditions. These kinds of frameworks see contract farming as political and multi-processual, being designed to distribute risk among multilevel actors but simultaneously (as a spillover effect) distributing power.

Furthermore, using the concept of organisational and institutional legitimation—strategic forms of action through which transnational actors seek the endorsement of their efforts to exercise authority or other forms of influence within multilevel governance settings—we provide a perspective that sees contract farming as an arena wherein the distribution of authority is fluidly and openly contested. This theory highlights that actors' strategic rationalities are intertwined with other instrumentals and driven by multiple mixes of moral, cognitive, and instrumental rationalities (Suchman, 1995). Legitimacy claims, thus, are causality processes which are "opposed to other instrumental or cognitive drivers" (Diprose, Kurniawan, & McDonald 2018).

As its research question, this study takes the following: how do TNCs and farmers establish their legitimacy in the banana contract farming system? This study employs qualitative research using a case study approach, which enables it to capture specific power relations in certain periods. Data were collected through four approaches: in-depth interviews; focus group discussions (FGD); reviews of news reports and government documents/policies; and direct observation of critical events from 8 to 15 April 2019. This article is organised as follows: an introduction, which includes a review of the literature, theoretical framework and research method; the establishment of Mindanao as a transnational operational field; the politics of legitimation in contract farming in Davao; the distribution of power in contract making; and conclusion.

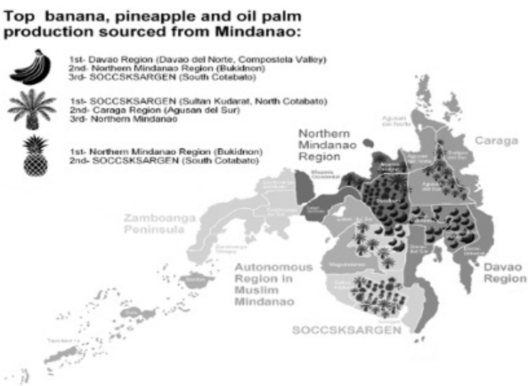
Establishment of Mindanao as a Transnational Operational Field

The government of the Philippines has developed its approach to contract farming since 1935, when it initiated a settlement programme in rural areas that included Southern Mindanao (Vellema, 2002). President Quezon established the National Land Settlement Administration (NLSA) to survey the land in Southern Mindanao and supervise its settlement by developing the social infrastructure needed for agriculture—for instance, by providing irrigation systems (Vellema, 2002). As time went by, the government developed different plans, often involving land reform, as part of its contract farming system. Land reform laws in the Philippines have evolved several times, in line with the nation's economic policy, and have been incorporated into the country's national economic development strategy since 1987 (Martin, 1999; Vera, 2015; Putzel, 1992).

Mindanao's significant role in contract farming is supported by the area's natural environment and its government. Naturally, Mindanao is home to fertile lands that are protected from the ravages of typhoons. Structurally, the government has produced various policies to encourage commercial plantations in the area. For example, the Comprehensive Agrarian Reform Programme (CARP) supported the development of pineapple plantations for Del Monte and Dole in Mindanao "by leasing land from private owners or by offering a contract to farmers" (Vellema, Borras, & Lara, 2010). In 2006, the government began offering Agribusiness Venture Arrangements (AVA) as a legal basis for the implementation of contract farming. Aside from defining the type of contracts, AVA regulates the mechanisms from the local to the national levels. With legal mechanisms provided by the state, farmers are formally integrated into the transnational governance of food. From this review, it is evident that the government has implemented multiple-scale regulations to promote contract farming in Mindanao.

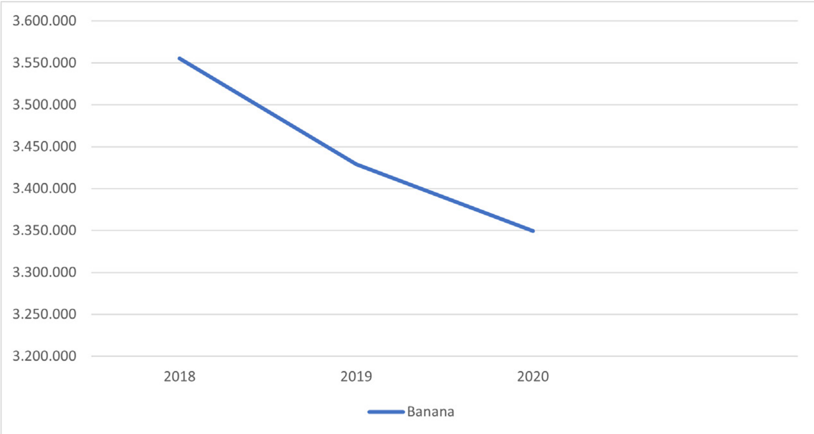
According to Franco and Borras, lease agreements are used by domestic elites and TNCs as new means of exploiting, expropriating, and controlling land that has been redistributed (2005 p. 338). This strategy appears to have been effective, as many TNCs have invested in the Philippines since the 1990s—particularly in Mindanao, which is known as the fruit basket of ASEAN. These include the Big Four of the banana industry, i.e., Dole, Unifrutti, Del Monte, and Sumifru (Monforte, 2017). Many banana farmers have become indebted to TNCs under unfair agreements, leading them to lose ownership of their land, which (according to applicable contracts) is transferred to TNCs (see Oxfam, 2018; Putzel, 1992). The case of AVA shows that the landowners and business actors, including TNCs, use contract farming to accumulate their own capital and violate the land rights of farmers.

Figure 1 Top productions from Mindanao



Source: UMA, 2019.

Figure 2 Production of bananas in the Davao Region 2018-2020 (in metric tonnes)



Source: The Philippines Statistic Authority, 2021

At the same time, these policies have proven effective in integrating the land, farmers, and TNCs in Mindanao. The Davao Region has vast banana plantations, covering some 10,180.05 hectares (PSA-XI, 2016), where various cultivars are grown. Some plantations are managed by independent growers, while others were developed by multinational or corporate banana producers (PSA-XI,2016). As seen in Figures 1 and 2 above, even though overall banana production has fluctuated slightly, production in Mindanao has increased since 2013 and become the region's predominant product. By 2016 Davao was known as a top exporter of bananas, with crops valued at approximately $84.85 million (Arado, 2016). In other words, the contract farming mechanism has been effective in attracting agribusiness TNCs to invest and operate in Mindanao.

As the banana capital of the Philippines, Davao hosts various TNCs. On a field trip in early April 2019, one of the authors encountered several TNCs in Santo Tomas, Davao del Norte, i.e. Nader & Ebrahim S/O Hassan Phils, Inc (NEH), Dole, Sumifru, and the Marsman-Drysdale Group of Companies. These are but some of the dozens of agribusinesses that operate in Mindanao, most of which are TNCs. These companies are united in the Pilipino Banana Growers & Exporters Association Inc. (PBGEA), which was established in 1974 in Davao City to act as "the central coordinating agency for the development and the advancement of the banana export industry in the Philippines" (PBGEA, 2019). As of 2019, PBGEA consists of 22 companies and their subsidiaries as well as their two affiliates operating in fifteen provinces in Southern Philippines (PBGEA, 2019); nevertheless, they only mention twelve of these companies on their website. Currently, the organisation's total production area covers 43,647 hectares, or about 50% of the Philippines' total land dedicated to Cavendish cultivation (PBGEA, 2019).

Five of PBGEA's members are classified as significant exporters of bananas, i.e., Del Monte (Philippines) Produce, Stanfilco (a division of Dole Philippines), Sumitomo, Fresh Asia Produce Co International, and Chiquita/ Unifrutti (Digal, 2005). As Digal (2005) notes, these companies have changed their operations systems from direct farming to contract farming due to the implementation of the CARL. Most growers are affiliated with leading companies or other conglomerates in Mindanao (or at least the Philippines), such as the Anflo, Dizon, and Tristar groups of Banana Companies.

The five companies mentioned above have several subsidiaries within their structures, such as Del Monte Fresh Produce (Philippines) and Agrinanas Development Co. Inc., Delinanas Development Corporation, Mindanao Agri-Traders Inc.; Chiquita/Unifrutti and Marsman-Drysdale Group of Companies, and Tortuga Valley Plantation Inc. Other TNCs, such as Nader & Ebrahim S/O Hassan Phils, Inc., are not affiliated with other companies' growers but have growers who are directly linked to small farmers. These observations indicate that, although several companies are leading banana exporters, only a few have a direct relationship with small farmers.

Such relationships between companies and their subsidiaries are seen as a means of governance and adapting to the local situation. Departing from Wallerstein's (2011) world economy argument, the prominence of subsidiaries and affiliations demonstrates how a few TNCs control the market and the global production chain. By cooperating with local businessmen and elites, the global norms of contract farming can be translated into something appropriate and sensitive to local social and economic contexts. Also, the alliance process brings more benefits for local businessmen, as they can expand their markets and improve their product quality at the same time. This can be seen, for instance, when TNCs set product standards with which local companies are obligated to comply. Meanwhile, localised network building gives greater control to small farmers, as subsidiary companies normally serve simply to advance the leading companies' policies. Control is understood as a requirement for continued production. These facts demonstrate the importance of utilising existing legitimate entities to support network-building (Suchman, 1995).

Aside from having bottom-up connections, PBGEA has played an important role in the Philippine government and its policymaking process. Members of PBGEA include powerful people, both domestic landlords and international corporations, who enjoy strong connections with the highest-level elites in the political system. For example, when lobbying the government to produce a land reform policy that suited their interests, they worked with local land elites to push successfully for the expropriation and redistribution of plantations in strategic areas, including Mindanao (Borras & Franco, 2005). After the land reform policy was passed, MNCs still had chances to hijack the system. For example, they submitted a computation system—important in defining companies' obligations when paying farmworkers and sharing profits—to the Department of Agrarian Reform (DAR). This system used different parameters, which enabled companies to pay the farmworkers less than the actual production levels (Borras & Franco, 2005). PBGEA has the power to define policy and its implementation at the same time, thus operating "like a cartel, controlling the price levels of labour, land lease rates, and farm input and output markets" (Borras & Franco, 2005).

In banana production, the flow of contract farming involves various actors, each of which has different capacities, roles, authorities, and networks. The way these actors influence each other is important to understand to better comprehend the fluidity of power in the contract farming scheme.

Politics of Legitimation in Banana Contract Farming in Davao, Mindanao

The integration of TNCs in the local area has created a dual process of legitimation. Contract farming has been challenged by local actors—landowners and farmers who mainly demand the right to work as companies' equal partners as well as some bargaining rights. However, certain challenges plague the adaptation and integration process. This process can be demonstrated through the two stages below.

1. Contract making as the first step in legitimation

Transnational agribusiness companies in Santo Tomas apply a top-down approach when signing contracts to institutionally reconstruct their field-building. This step aims to assert the agribusiness TNCs' authority so that they can exercise their influence. Interviews revealed that agreements only detail the rights of companies; for small growers, the agreement makes but a brief statement of rent payment (Interview, 10 April 2019). Because of farmers' limited command of English, they do not know the substance of the contract nor do they fathom its implications. In the FGD (10 April 2019), an informant explained that:

> *"The company approached us by going door to door, asked us to contact them and offered a contract to sign. At the time, the company came with a well-drafted deal which was written in English—ready to be signed" (FGD, 10 April 2019).*

Other informants in other villages experienced the same thing:

"We just signed, without reading, and I don't have the contract now" (interview, 9 April 2019).

The top-down mechanism for contract signing demonstrates that, by influencing policy mechanisms, companies can simultaneously influence the implementation of their contracts. These contracts, which are written in English by agribusiness companies, are seen as ways of starting new lines of activity in domestic arenas. Farmers' limited command of English makes it easier for companies to control their knowledge and influence their compliance. As such, TNCs can develop boundaries that favour their capital accumulation.

Companies know that farmers have limited knowledge of English and that this lack of fluency hinders their ability to obtain proper information about the agreement. The cases of Santo Tomas and Compostela Valley thus demonstrate how inequality in the contract process influences growers' access to information about their rights (Digal, 2007). This strengthens Ribot and Peluso's (2003) argument that knowledge and information are essential elements when gaining access to resources and thereby becoming part of a transnational field-building process.

The sociological aspects of banana farming offer an advantage to agribusiness companies when constructing their roles. Agribusiness companies shape the role of the farmers by requiring the head of the family to sign the agreement. They do so because, usually, these individuals are the ones in possession of land rights. Some informants explained that:

"Yes, we had joined the company for many years since my father..." (interview, 11 April 2019).

"My husband was the one who signed the contract for 30 years in 1989. But, when he died, I did not know the contract, and then the company asked me to sign another contract for another year" (interview, 11 April 2019).

"No, it is directly between farmers and the company. The government knows about it, but they don't intervene" (interview, 9 April 2019).

By understanding the important roles of landowners, transnational companies shape their role in the contract farming system. The involvement of the head of the family effectively limits their descendants' ability to challenge previously signed contracts. Displeasure with contract terms was commonly voiced by descendants, as seen in one interview:

"The contract was for 25 years, but they didn't know. They didn't read the contract, and some of them didn't sign the contract. Then, in the last part of the arrangement, it states that renewal would be for 25 years. So the land would be occupied by Marshman (a transnational company) for 50 years. They didn't participate in the drafting of the contract—it was only the company. After the contract was done, the landowners simply signed" (interview 09 April 2019).

Ultimately, however, the contract process is not fixed. In distributing authority, a wide range of norms are evident in transnational policy and implementation. This character has a spill-over effect for farmers, who can contest the system.

> *"Yes, we know the contract because the growers are the ones who attended the meeting. Also, somebody, an attorney, helped us and guided us when deciding which articles we should agree to" (Interview, 10 April 2019).*

The quote above is excerpted from interviews with villagers in Davao who retained an attorney to help them with the contract with Sumifru, a Japanese company. The people there were lucky enough to have comprehended the contract and have an attorney guide them so that they were able to negotiate, terminate, and adjust the articles in the contract. With better knowledge of the contract, these people had more legitimation and control of the contract farming system. For example, the informant explained that she was able to terminate the contract and become an independent grower. With guidance from an attorney, a fair contract can empower farmers by granting them the authority to contest the system.

> *"I just wanted to continue by myself because the company would control the product. Also, the price [provided by the company] is much lower. The company will intervene, and [in such cases] we have the agreement" (Interview, 10 April 2019).*

This statement came from an independent grower from Santo Tomas, who preferred maintaining his one-hectare banana plantation and selling his products through a mini-plant (Interview, 10 April 2019). This decision was driven mainly by the possibility of selling his crops for higher prices. The independent grower phenomenon was also noted in another village in Santo Tomas,

> *"There are many mini-plants here, hundreds, and the owners are the villagers as well as growers. The price per box [of bananas] is now 340 pesos, but if yields are low, it would be 400 pesos per box" (Interview, 10 April 2019).*

Mini-plants play an essential role for independent growers. Even though they do not have formal agreements like agribusiness companies, they trust each other to keep prices high. Furthermore, as mini-plantations are only small companies, they have several qualifications and particular mechanisms that need to be followed by small growers. One informant explained that:

> *"Yes, there are many requirements. One requirement is that I need to harvest four leaves, and not dry them. There are QI (Quality Inspectors) who check the area and give the requirements. So, I only choose to sell to one mini-plant. Because if I keep changing the mini plants, the price will go down" (Interview 10 April 2019).*

The fact that the independent growers are willing to follow the mini-plants' mechanisms shows that the contract system could work if entities respect each other's rights and are transparent about implementation processes. Independent growers understand that certain requirements are essential for ensuring quality; however, they have more freedom and can provide input and maintain their current techniques. In other words, the traditional system could also be used, as one informant explained to me (Interview 10 April 2019). Consequently, some more small growers are keen to end their contracts and become independent growers, "Yes, there are more than one hundred independent growers. They had an agreement with the company a few years ago. However, the company paid much less, and thus they did not renew the contract" (Interview 10 April 2019).

The contract process as a tool for transferring global norms—the rules of the game in contract farming—shows the potential fluidity of legitimation. At first, major companies dominated and limited the process by defining the rules of the game. Transnational companies translate the global norms of the corporate food regime at the local level by limiting access to knowledge, information, and participation, thereby hindering the ability of farmers and their families to conduct contract negotiations. This shows that field-building comes with specific circumstances through which transnational companies seek to legitimise their accumulation processes. However, the strict contracts used by companies still allowed small growers to contest the system by using attorneys (who have legal power) to understand the process of contract farming and advance their interests. At the same time, status as an independent grower—despite a lack of formality—offers fairer remuneration and greater freedom. Additionally, the open system used by mini-plants gives every grower an equal opportunity, so long as they follow certain rules.

2. Establishment of contracts in defining roles and space boundaries in the implementation of contract farming

Transnational agribusiness companies govern farmers' benefits and production through legal-based access. These companies understand that contracts are essential parts of their accumulation process, as they define the roles and boundaries of both parties. Consequently, the substance of these agreements is crucial. An FGD (9 April 2019) in Santo Tomas village acknowledged that the English-language agreement was well-drafted by the company. Some informants explain how this was used to exercise control, saying:

> *"...I think that the company kept the contract. It is one of the ways that the company handles them; they can get charged or fined if they do not follow what is set in the contract" (interview, 9 April 2019).*

Contracts govern farmers' actions within the contract farming system. At the same time, as farmers' families are usually involved as workers, contracts govern family members who have not signed them. One informant told us that:

> *"No, I am never complaining to the company. It was my mother who signed the contract, so we don't know what the deal is. We don't know what to complain about. Mother didn't read it; [she] just signed it" (interview, 9 April 2019).*

This shows that companies use legal-based access not only to ensure access to resources but also to ensure their authority over the land.

Farmers' lack of access to these contracts creates an opportunity for companies to continue their capital accumulation. Many contracts include clauses allowing companies to automatically renew contracts; as many small growers do not have and cannot read the contract, they cannot negotiate access to their land (interview, 9 April 2019). Limited participation thus carries over to other spaces. By having limited participation, farmers must adapt to their new role as contract farmers on their land. They also have to face the consequence that their land now is controlled by major companies. This shows that contracts not only shape space as a physical arena but create space—i.e., the accumulation mechanism.

In the daily production process, transnational agribusiness companies regulate every process. One informant explained that:

> *"…they, the companies, provided everything, even the people. But there was interest as well. Whatever the price, there was interest" (interview, 11 April 2019).*

While companies rent their land, farmers must plant bananas with specific requirements, and they are obligated to buy supplies—seeds, chemicals, pesticides, and even aerial spray plans—directly from companies (Interviews, 9 & 11 April 2019). Another informant elucidated:

> *"By the time the grower puts the product in the packing house, the grower doesn't get much income because of the cost of fertilizer, which is very overpriced, and farmers also need to consider the minimum wage. Right now, companies buy at 180 pesos per box, but if bananas go to another country, it's 1,200 pesos per box. It is very different!" (Interview, 09 April 2020).*

This reliance on TNCs for supplies not only expands the companies' roles but also creates new mechanisms for banana production. Farmers must adapt to new circumstances, including a prohibition against producing their own bananas. Companies also set fixed prices for products, as ensconced in their contracts. One informant said:

> *"…Whatever your contract is with the company, you will get the same price. For example, if your contract is three dollars, then you will get the same price for two years, even though the market price is getting higher" (interview, 11 April 2019).*

The fixed price strategy helps companies deal with price fluctuations, thereby simplifying production costs so that companies can focus on global dynamics. At the same time, however, by using fixed prices, companies eliminate one of the spaces where farmers can assert their rights.

In these cases, two forms of space are recognized: land and production areas. The essential aim of controlling space is to limit people's behaviour so that companies can optimise their accumulation of capital. This shows that defining space through legal mechanisms is an effective strategy for companies. By limiting space during the signing and understanding of contracts, companies establish their roles and set rules for farmers. However, these spaces are not static. They have different meanings and are openly contested by each party.

In the Philippines, the AVA Law regulates the amendment, renegotiation, and revocation of contracts through Article II (4.14) of the DAR AO No 09. The law aims to protect parties, including small growers, and ensure the availability of fair remedies through a comprehensive mechanism that involves the local government. Basically, the state has provided a remedy scheme for small growers. To use the facilities provided by the state, some small growers have attempted to negotiate with companies through formal channels. One respondent from Santo Tomas brought her case to court to reduce her latest contract from thirty years to five years. Disputes over contract renewal among descendants make the lawsuit process an attractive option (Interview 9 April 2019).

Small growers who use formal remedy mechanisms can be considered the lucky ones, as this implies that they held and could comprehend the contract and thus could bring their case to court. Many growers do not see the contracts, which are held by companies, and thus must wait for termination or unite to bargain collectively with the company. Some small growers from Santo Tomas indicated that they wanted to end their contract with Marsman, not only due to the low rent but also because it dominated the land and did not allow them—the owners—to enter the area so long as the contract was still valid (Interview, 9 April 2019). Additionally, these growers did not want to lose their land due to Panama disease; one feared that, if she permitted the contract, the company would continue operations for sixty years. Action to bring this case to court was supported by many growers and even the union; however, they could not do many things due to the required formalities. As the court case is ongoing, the company is still paying rent—15,000 pesos for 1.5 hectares.

Distribution of Power in Contract-Making

Contract-making in Davao demonstrates that the distribution of information influences the institutionalisation of legitimacy itself. Transnational policy is institutionalised through common understanding, norms, and practices that are agreed upon among participants (Purdy & Gray, 2009 in Dirpose, Kurniawan, & McDonald 2019). Since small growers cannot understand English, they cannot envision the reality of contract farming. As also seen among tomato farmers in Honduras (Glover & Kusterer, 1990), access to information in contracts is essential for understanding the system; otherwise, growers will think that it is the best and only system, with no alternative, without really considering the risks posed by companies.

Unequal distribution of information leads to unbalanced power between companies and small growers. Companies' efforts to limit access to information enable them to regulate the social process to control small growers through social and economic mechanisms. Furthermore, this phenomenon also connects with Glover and Kusterer's (1990) argument by showing that the distribution of risk is strongly related to other factors, such as bargaining power, alternative availability, and access to information. Language is an entry for understanding this connection. For small growers, contracts offer opportunities to increase their wealth; for companies, meanwhile, contracts mark the beginning of their legitimation. In the end, the process has strengthened the theory that holds that transnational actors need to reconstruct their audiences and sites of authority in certain ways so that they can establish a conducive environment to exercise their transnational influence (Diprose, Kurniawan, & McDonald 2019).

As Clapp (1994) argues, unequal partnerships result in open conflicts, as seen in the lawsuits filed by hundreds of small growers. Unfair contracts that limit the availability of information on substantial matters bring small growers to another level. Furthermore, lawsuits such as those mentioned above influence the social relationships between companies and growers. Where growers are forced to remain in their contract, other growers recognise that they are neglected by the system. Meanwhile, when partnership is equal, small growers have the right to get fair treatment in the remedy process—as guaranteed both in international and national laws.

In contract farming, role adaptation occurs through contract development. Companies earn their legitimacy by directing and dominating consensus through contract agreements, thereby enabling them to define the area and boundaries of contract farming. Clapp (1994, p. 80) argues that companies' domination gives them legal power over seeds, crops, inputs, and even land access. Such institutional legitimations construct the rules of the game, including the right to participate in the banana cultivation process. However, other parties' acceptance of companies' legitimacy comes with certain expectations. When these expectations are not met, these parties—the small growers—challenge companies' legitimacy by adopting new roles. They use the formal mechanisms provided by the state to influence companies, hoping to reframe contracts and their implementation. Such strategic action shapes the processes through which roles are defined, with contract farming best legitimated when both parties are in agreeance.

Conclusion

This article has argued that contract farming, common in transnational policies regarding agricultural production, allows for a fluid distribution of power that strongly influences the relations between companies and common people. As implied in the case of Mindanao, contract farming creates a situation wherein power is unequal yet openly contested by each party. Supported by the state through various policies, contract farming has created new spaces and territories for its actors, especially transnational companies. Broad and intensive alliances are used to localise network building, as TNCs work together with the local businesses and oligarchs while ensuring that global norms of contract farming are adapted to national regulations. These strategies play an important role in efforts to delegitimise transnational actors at the local or even grassroots levels by framing them as outsiders.

The article shows that political legitimation in Davao, Mindanao, occurs through reciprocal processes that reach beyond establishing rules, adapting roles, and defining boundaries for small farmers, and governing social relationships among involved parties. The degree of information about contracts is a crucial indicator of the distribution of legitimacy; where information is not available, relationships tend to be unequal and open conflicts are common. The implementation of contract farming demonstrates that the claiming of resources is highly related to the exercise of power and authority. At the same time, banana contract farming in Mindanao also shows the contestation between TNCs and farmers in legitimising access to resources (i.e., plantations). Instituting legitimacy is not a linear process, but may involve the reclaiming, contesting, or repeating of legitimacy processes by TNCs and/or small growers. The legitimation processes involved in contract farming, in other words, are informed by the constellation of power and authority in the social relations between the involved parties.

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