

Agri-food chain relationships in Europe – empirical evidence and implications for sector competitiveness¹

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Summary

The roles of business relationships in selected European agri-food chains are analysed. Using survey data from 1,442 farmers, food processors and retailers in two commodity sectors (meat and cereals) and across six different EU countries, we test the empirical relevance of several theory-based determinants influencing the choice of relationship type and the sustainability of inter-enterprise relationships. This is undertaken for the overall dataset and separately for different supply chain stages (farmer-processor versus the processor-retailer relationships), commodities and individual countries. Overall, we find that sector and enterprise-specific determinants seem to determine the choice of a certain relationship type while chain-internal, dyadic factors affect the sustainability of relationships. A logistic regression analysis reveals that the preference for a relationship type, while being highly chain-specific, depends on the long-term orientation and the strive for independence of an enterprise and the quality requirements within a corresponding market. As for the sustainability of the analysed relationships, structural equation modelling results suggest that its most important determinant is effective communication, with its two components, adequate communication frequency and high information quality, being equally important. The existence of personal bonds and an equal power distribution between buyers and suppliers are the second most important determinants, followed by the negative impact of key people leaving. The analysis also reveals that the relative importance of these determinants differs across the two considered stages of supply chain relationships and between the countries investigated. Agri-food business managers seeking to improve their supplier or buyer relationships, need to consider the crucial role of effective communication and the positive contribution that the existence of personal bonds can make to the development and maintenance of sustainable interactions.

Keywords: business relationships, agri-food, value/supply chain, logistic regression analysis, structural equation modelling