

Determinants of Sustainable Economic Relationships in German Agri-food Chains¹

Nikolai Reynolds, Christian Fischer, Monika Hartmann,

Institute for Food and Resource Economics, University of Bonn, Nussallee 21, 53115 Bonn, Germany.

Abstract

The paper investigates the determinants influencing the sustainability of B2B relationships of selected German agri-food chains. Based on a literature review and expert interviews hypotheses with regard to potential determinants of sustainable economic relationships in German agri-food chains are derived. The quantitative analysis is based on data collected in an (online) business survey with farmers, processors and retailers taking place from November 2006 to April 2007. The survey led to 124 valid cases. Using structural equation modelling (SEM), we identify the main determinants of sustainable economic relationships separately for two chain sections (farmer-processor and processor-retailer). The findings reveal that effective communication, the existence of strong personal bonds and an equal power distribution between buyers and suppliers are key determinants of sustainable-relationships in the farmer-processor as well as in the processor-retailer relationship. Nevertheless, there also exist significant differences regarding the relevance and effects of other determinants between the two stages of the considered German agri-food chains. The main conclusions arising from our analysis are that, agri-food business managers can enhance the sustainability of their economic relationships by first, improving communication quality (relevance, timeliness, reliability and frequency of information), second by fostering personal bonds through retention of key staff in trading positions and/or employment of staff who fit culturally and/or socially with those they transact with and third, by refraining from dominating a business relationship and abusing a more powerful market position. Given the increasing competitive pressure in the food market, businesses in the farmer-processor section of German agri-food chains will have to place a higher emphasis on the commercial reward of their economic relationships.

Keywords: Business relationships; SEM; Agri-food chains; Sustainable economic relationships

Paper type: Research paper

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