Business Governance in Meat Supply Chains

Prof. Dr. Ludwig Theuvsen

Georg-August University of Goettingen

Department of Agricultural Economics and Rural Development

Frankfurt, June 23, 2011
Why is it interesting?

Many changes have been going on since the mid-1990s:

- Example: U.S. pork production

(Source: Martinez 2002)
Why is it interesting?

Similar developments in other food supply chains in developed countries as well as in developing and transformational economies!

<table>
<thead>
<tr>
<th></th>
<th>Marketing contracts</th>
<th>Production contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn, soy beans</td>
<td>10.9 %</td>
<td>0.1 %</td>
</tr>
<tr>
<td>Barley</td>
<td>---</td>
<td>19.3 %</td>
</tr>
<tr>
<td>Cotton</td>
<td>51.7 %</td>
<td>---</td>
</tr>
<tr>
<td>Fruits</td>
<td>56.5 %</td>
<td>2.5 %</td>
</tr>
<tr>
<td>Vegetables</td>
<td>30.0 %</td>
<td>6.9 %</td>
</tr>
<tr>
<td>Pigs</td>
<td>7.1 %</td>
<td>53.4 %</td>
</tr>
<tr>
<td>Poultry, eggs</td>
<td>6.8 %</td>
<td>81.3 %</td>
</tr>
<tr>
<td>Dairy</td>
<td>52.2 %</td>
<td>0.9 %</td>
</tr>
</tbody>
</table>

(World Bank 2006, p. 6)
Why is it interesting?

Performance effects:

Governance of food supply chains

Performance:
- Competitiveness
- Cost efficiency
- Customer orientation
- Customer satisfaction
- Flexibility
- Transparency
- Quality
- Profitability
- etc.
What is governance?

Governance:

“global and local arrangements, formal structures and informal norms and practices, spontaneous and intentional systems of control”  
(Lynn et al. 2001, p. 5)
What is governance?

Governance of food supply chains

- **Structural aspects**
- **Motivational aspects**
- **Standards** (legislation, certification etc.)
- **HRM** (incl. interlocking directorates)

**Coordination:**
- Prices, contracts, hierarchy
- Communication

**Micro level: Individual behavior**
- Incentives, sanctions

**Macro level: Group behavior**
- Industry culture
What determines governance?

Contingency factors (situation) → Governance of food supply chains → Performance

Internal contingency factors:
- Product characteristics (perishability etc.)
- Competitive forces
- Production technology
- Ownership structures (e.g. cooperatives)
- etc.

External contingency factors:
- Regulatory framework
- Technological progress
- Consumption and lifestyle trends
- Societal expectations (e.g. food safety, sustainability)
- etc.
What determines governance?

More changes to come:

• „Supermarket revolution“ in developing and transformational economies

• Increasing globalization of food supply chains

• Emergence of international high-value food chains

• New management challenges, for instance sustainability

• Growing concentration ratios along food supply chains

• etc.
Thank you very much for your attention!