

SHOULD THE SUPPLY CHAIN PLAY FAIR?

by Brian C. Briggeman and Jayson L. Lusk

Technological changes over the past century have caused increased interest among many consumers about how their food is produced. Some consumers now question whether everyone in the agricultural supply chain has benefited equally from these changes, which in turn has spurred the development of several alternative production systems that are increasing in popularity among consumers. Examples of these alternative systems include organics, fair-trade, local- and regional-origin, farmers' markets, non-genetically modified ingredients, and no growth hormones, among others.

A common theme advocated by supporters of alternative production systems is that these systems promote a more just and equitable supply chain that benefits small farmers and producers. For example, **Whole Foods Market**, a large specialty grocery chain, explicitly contends on their Web site that, "buying organic supports small, independent family farms." Many of these alternative production systems decry the use of new technologies, such as genetically modified food, on the premise that the benefits accrue primarily to large agribusinesses.

If the goal is to gain a better understanding of the underlying motivations behind consumer preferences for food produced via alterna-

tive production systems, then you first need to understand consumers' preferences for fairness. In other words, do consumers want a just and equitable supply chain? A recent mail survey was designed to determine the extent to which people perceive foods from alternative production systems as having differing effects on participants in the supply chain.

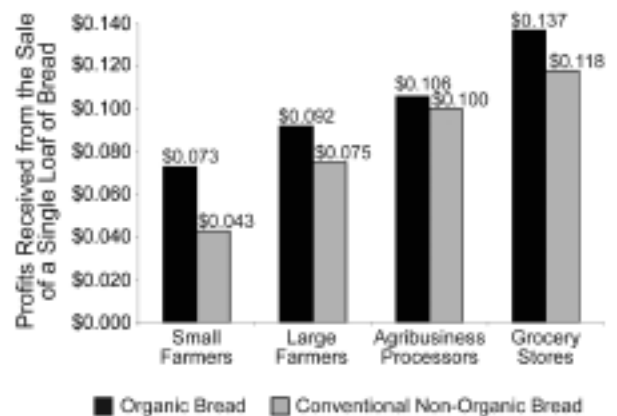
PRELIMINARY SURVEY RESULTS

The survey was designed to gain an understanding of consumers' beliefs that certain alternative production practices change the distribution of benefits across the supply chain. The alternative production practice considered here is an organic loaf of bread and is compared to the conventional non-organic loaf of bread. The supply chain is segmented into small farmers (farming less than 500 acres), large farmers (farming more than 500 acres), agribusiness processors (including millers and bakers), and grocery stores. Beliefs about the distribution of profits across the supply chain from the sale of organic and non-organic bread are presented in Figure 1.

The results indicate that as the product moves down the supply chain more profits are made (i.e. grocery stores receive more profit from the sale of a loaf of bread than do the processors manufacturing it). Small farmers, as perceived by the survey respondents, receive the least amount of profit relative to other participants in the supply chain. Consumers clearly feel organic bread provides more profits relative to non-organic bread profits for all

Fig. 1

CONSUMERS' BELIEFS OF ORGANIC AND NON-ORGANIC BREAD PROFITS ACROSS THE SUPPLY CHAIN



involved in the supply chain. One striking result is that small farmers are the greatest beneficiary from the sale of organic bread. Small farmers' profits received from the sale of organic bread increases by \$0.03 or by 71% over the sale of non-organic bread. These results suggest consumers believe there is an unequal distribution of profits across the supply chain and that consumers believe alternative production systems, such as organic, serve to partially alleviate the inequality.

ADDITIONAL SURVEY RESULTS

In our next article we will discuss whether and how consumers act on the belief that inequality of profits exists in the supply chain. In particular, we will assess consumers' preferences for fairness and equity across the supply chain and how that impacts their purchasing behavior. **AM**

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Segmentation is a fundamental marketing concept, and targeting functional food buyers starts with understanding some of the basic characteristics of functional food purchases. While demographics are generally not enough, they can provide a useful beginning. **AM**

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