Relational governance – an examination of the apple sector in Albania

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Abstract

This study provides an in-depth analysis of the value chain governance in the fruit sector in Albania. Particular attention was paid to the nature of relations between agricultural producers and marketing channel chosen by them, distinguishing between big wholesalers, local collectors and exporters, longer-term relations, commitment and trust, and contracting along the value chain. Given the absence of, or weak, contract enforcement and the clear evidence of embeddedness in dyadic relationships in this chain, we focused our analysis on sustained relationships, contracting and personal bonds as a determinant factor to improve business relationship quality. This paper is based on a structured survey targeting 182 orchard farmers in two leading fruit production regions in Albania, namely Korca and Peshkopia. The survey showed a weak prevalence of verbal contracts in embedded relationships. The percentage of contracts between farmers and local collectors is slightly higher compared to wholesalers. This evidence is much stronger when we investigate the incidence of contracts in stable relationships (i.e. selling to the same buyer). We also find that mature relationships generate higher sustainability - a result which does not come as a surprise, although the coordination between farmers and other actors downstream is only at early stages. The main implications which arise from our analysis are relevant for agribusinesses, farmers and policy makers.

Keywords: channel choice, contracting, relational governance, trust

Introduction

Fruit production is one of the most important and fastest growing agriculture subsectors in Albania, growing by almost 3/4 since 2007 (MARDWA, 2014). The orchard sector has also been considered an important and priority sector by the Albanian government (MAFCP, 2007; MARDWA 2014).

Apple production is an important activity for Albanian horticulture. In terms of cultivated area, apples are the most important fruit - followed by figs and grapes, respectively. On the demand side, apples account for the second highest expenditure of households in terms of on all fruits and vegetables combined, following tomatoes (USAID's AAC 2008). This can be explained by the fact that apples are widespread and easy to store for a long time. They can be cultivated in different climate conditions and there is a long local tradition in both the production and consumption of apples.

Apple production has increased substantially since 2000, having more than quadrupled between 2000 and 2010 (Table 1). Furthermore, it is expected to further increase in the coming years, because of recent plantations stimulated by the investment support scheme. This scheme has been introduced by the Ministry of Agriculture, Food and Consumer Protection (MAFCP), and motivated by a high domestic consumer demand.

Table 1: Dynamics of production and gross supply of apple

Category		2000	2007	2008	2009	2010	2011	2012
Production	Mt	12,000	36,000	45,000	47,202	54,604	56,000	71,300
Import	Mt	28,163	22,516	15,641	12,928	17,702	11,399	11,469
Export	Mt	0	147	34	109	1,097	2,323	4,309
Supply	Mt	40,163	58,369	60,607	60,022	71,209	66,399	78,460
Export/import	%	0.0%	0.7%	0.2%	0.8%	6.2%	20.3%	37.6%
Production/supply	%	29.9%	61.5%	59.1%	78.6%	76.7%	84.3%	90.9%
Import/supply	%	70.1%	38.6%	41.0%	21.5%	24.9%	17.1%	14.6%

Source: FAO (production), UNSTAT (import – export), *MAFCP

Actors in of the value chain

Farmers - Orchard production is highly fragmented, while most farms have mixed activity and semi-subsistence orientation. There are more than 60 thousand farmers that have orchard plantations – however most of them have 0.2 ha or less (see Table 3). Orchard cultivating surface is growing fast due to the increasing market demand, availability of subsidy schemes for plantations and enhanced farm experience – as a trend which also impacts the increase of the average orchard plantation size.

Wholesalers – i) Consolidators and local collectors are the first linkage point between the farms and the market, be it for final consumption locally, export or for processing other derivative products. Sometimes local collectors also import if provided with favourable terms.

ii) Other Wholesalers – operate as the main buyers from farmers, while imports are sourced from larger importers. These actors occasionally import fruit and vegetables, including apples, from neighbouring countries. They have their own transport vehicles (usually not refrigerated), most often a two-ton mini-van or a five-ton truck. Iii) Exporters. Usually the function of the export is carried out by importers or one of the above categories of players, often on sporadic basis, or traders from the region come and import directly from Albania.

Retailers – (i) Supermarket chains. Supermarket chains have been introduced only recently in Albania (in mid-2000'). At present, supermarket chains play a minor role in fruit sale – only 5% of consumers in Tirana buy apples mainly at supermarkets (Imami et al, 2012). This figure may be much lower in smaller towns, in which supermarket chains are not the norm, yet. (ii) Green markets. Most fruit and vegetables are sold on (specialised) green markets (GTZ, 2010). Most consumers (56%) in Tirana buy apples on the green market (Imami et al, 2012). (iii) Convenience shops. In every neighbourhood and close to every large residential building, there are convenience shops. Many such units sell fresh fruit and vegetables – sales are usually in low quantities, and are often more expensive and of lower quality (less fresh) as compared to the green markets.

The objective of this research is to analyse the market access choices of orchard farmers in Albania. Particular attention is paid to the nature of relations between farmers and the marketing channel chosen by them. The paper is organised in three sections in addition to this one. Section 2 consists of theoretical background and methods. Section 3 reflects the empirical research findings, while Section 4 provides the discussion of the results, conclusions and recommendations.

Theoretical Background

Transaction cost analysis (TCA) is one of the most frequent, theoretical frameworks in the research of business relationships (Heide, 1994; Joshi & Stump, 1999). This theory has evolved from a number of authors, studies and articles concerning different subject areas including economic literature, organizational theory, and law literature.

Reduction of opportunism is recognized to be a key purpose of transaction governance. The transaction cost economics focuses on opportunistic behaviour as a constant in transactions between buyers and suppliers, and its variation can be explained by characteristics of the transaction (the level of uncertainty, the likelihood of recurrence, and the degree of asset specificity) that determine level of opportunism (Williamson, 1979). Transaction costs fall into three main classifications: information costs, negotiation costs, and monitoring costs. Within the framework of transaction cost economics (TCE), the supplier-buyer relationships should be structured in such a way to minimize the transaction costs (Williamson, 1975, 1993a, b).

These supplier-buyer relationships or governance modes range from spot market relationships, to hybrid governance forms (contracts), to vertical integration or hierarchy (Williamson, 1979, 1999). In the context of buyer-supplier exchange relationships, buyers have traditionally used unilateral approaches that is, either contract bidding (market governance) or administrative fiat (hierarchical governance). The trend in governance has been switching toward the adoption of bilateral tools of governance (Heide, 1994) that imply the efforts of both exchange partners to limit opportunism in cooperation with each other. This bilateral approach to governance has been described as long-term relationships, partnerships, and strategic alliances (Achrol, 1991), hybrids (Williamson 1991), and relational exchange (Dwyer, Schurr, and Oh, 1987), vertical coordination (Stern and Reve, 1980). Alternative means of ensure and empower hybrid transactions are trust, reputation, financial hostage (Klein, 1980; Dyer, 1996). Such a view is in line with the theoretical reasoning in the

negotiations literature (Pruitt, 1981) as well as the transaction cost perspective in which trust is an important determinant of long-term hierarchy-like relationships (Williamson, 1985).

Contracting governance

Contractual governance refers to any agreements reached by parties to reduce risk and uncertainty in exchange relationships (Hughes, 1994). Such arrangements will tend to reduce the uncertainty that gives rise to high transaction costs. Empirical studies support the arguments that standardized contracting is one mean in order to overcome the problems of uncertainty (Poole et al, 1998).

Contract farming is a significant institutional arrangement that facilitates market access for smallholders, especially when the transaction costs of direct market participation (spot markets) are high for producers and/or traders (Costales and Catelo, 2008). Contract farming is a common form of coordination in agro-food value chains. The definition of contract farming may vary from country to country depending on prevailing circumstances (see FAO 2001; Watts, 1994). In essence, there are two main categories of contract farming in Albania: formal contracts and informal (verbal) contracts. In general, formal contracts are written contracts (e.g. between a farmer and a processing or trade company), whereas informal contracts are unwritten, but nevertheless binding agreements (FAO, 2001). The evidence suggests that larger farms prefer formal contracts, whereas informal contracts are more accommodating to the needs of smallholders (Fafchamps and Lund, 2003; Grimard, 1997). Bakucs et al. (2010) concludes that formal contractual relationships are less frequent when there is little trust in legal enforcement.

Relational governance

In the case of weak institutional enforcement, farmers often prefer informal and self-enforcing arrangements (Jabbar et al, 2008; Bouis and Haddad, 1990). Several studies have investigated informal trade arrangements, legally not enforceable, that make exchange more efficient revealing a pattern of informal agreements highly consistent with TCE (Palay, 1985). Small farms rely more on reputation mechanisms and on network contacts to support reputation mechanisms instead of detailed (formal) contracting (Nooteboom, 1999). Trust between the transacting partners is a valuable mean when legal enforcement is missing.

Recent theoretical developments (Chiles and McMackin, 1996; Heide and John, 1992) suggest that "inclusion of the social-context variable of trust in the TCE framework will yield a model with greater predictive validity" (Chiles and McMackin, 1996:88). Dwyer et al. (1987) and Granovetter (1985) argued that transactions are embedded and this fact ensures the exchange partners as a safeguard to opportunism. Akerlof (1970) discussed economic models in which formal unwritten guarantees are important and "trust" between parties lowers uncertainty. Social norms and embeddedness (Chiles and McMackin, 1996) and calculative-based trust Williamson (1993) associated respectively with moral, personal obligations and rational economics are considered the main facets of trust.

Trust seems to be one important determinant on which Peterson (2001) constructed the relation-based alliance as one of exchange relationships (governance mode in the vertical coordination continuum) in which the firms share risks and convey on mutually identified objectives. Trust is an important component of relational governance implying that parties are informally embedded in relationships and social

norms. Based on this relational approach, trust needs to be built in order to eliminate ex ante goal divergence and ex post transaction costs through a socialization process. Empirical evidence in other agricultural subsectors in Albania confirms the beneficial role of trust-based relationships in lowering transaction costs (e.g. Gerdoçi et al., 2013). Although such a governance mode can be superior in economizing transactions costs it involves significant set up efforts (Grandori, 1987). Hence, the tradition in choosing one type of marketing channel versus another can be partly related to trust and a long and sometimes rather costly, socialization process.

The sociological literature focuses only in long socialization process, common values and embeddednes, but doesn't take into account other elements of TCE such specific assets for example. Making "credible commitments" to the relationship (Williamson 1983, 1985) is one strategy for creating a self-enforcing agreement between the parties involved in transaction. An investment in dedicated assets (Anderson and Weitz, 1992) is a common viable way to support crafting this type of relationships. Bilateral relation can be crafted by means of a reciprocal "hostage exchange," in which two parties make "separate but concurrent investments in specific assets" (Williamson 1983, p. 532).

Based on the theoretical background discussed above, we analyse various aspects of TCE framework such specific assets, contracting, marketing channels, trust, etc. focusing our efforts in defining the governance mode in apple sector.

Method

This paper is based on a survey targeting orchard farmers specialised in apple production. The survey consisted of structured questionnaires, which were designed based on an extensive literature review, and consultations and open-ended interviews with agricultural economists, scholars and practitioners including various food chain actors. The questionnaires were initially tested with selected farmers and further improved after testing. The questionnaire intended to collect basic information about farm structure and production, farm household characteristics, relations with clients and farmer perceptions regarding the enabling environment.

Table 2: Distribution of sample by interview and farm location

District	Commune	Frequency	Percent
Diber	Arras	1	0.5
	Kastriot	10	5.5
	Maqellare	13	7.1
	Melan	15	8.2
	Muhurr	1	0.5
	Q Tomin	5	2.7
	Sllove	1	0.5
	Tomin	5	2.7
Korce	Proger	64	35.2
	Mollaj	37	20.3
	Pirg	21	11.5
	Other	9	4.9
Total		182	100

Source: Field survey

The structured survey was carried out during April – May 2013 in the largest orchard producing regions in Albania, namely Korçë and Peshkopi. Most interviews were carried out in Korça (Table 2) as it is a leading fruit producing area in Albania, accounting for more than half of the country's apple production (GTZ, 2010). Farmers were chosen randomly from the existing lists/registers of orchard/apple specialized (typically larger) farms in most cases (when such lists were available) and interviewed by three trained students. 182 orchard farmers specialised in apple production were interviewed.

As mentioned above, the research (and sampling) strategy aimed at identifying relatively large, market-oriented farms. About two thirds of interviewed farmers have orchards that are larger than 0.5 Ha. In terms of representativeness, it is estimated that the study sample covers a considerable share of larger farms segments. The sample includes few small farms (up to 0.2 Ha according to our classification) (Table 3).

Table 3: Distribution of the farm population and sample according to orchard size

	Population		Sample		Sample/
Ha	Freq.	Share	Freq.	Share	population
0 – 0.2	43,086	70.6%	10	5.5%	0.0%
> 0.2 – 0.3	6,034	9.9%	21	11.5%	0.3%
> 0.3 – 0.4	4,766	7.8%	12	6.6%	0.3%
> 0.4 – 0.5	3,115	5.1%	20	11.0%	0.6%
> 0.5 – 0.75	2,243	3.7%	27	14.8%	1.2%
> 0.75 – 1	1,321	2.2%	38	20.9%	3.0%
> 1 – 1.5	449	0.7%	37	20.3%	8.2%
> 1.5 – 3	36	0.1%	17	9.3%	47.2%
Total	61,050	100%	182	100.0%	0.3%

Source: Field survey (for the sample) and Statistical Sector of the Ministry of Agriculture Food and Consumer Protection (MAFCP) – data provided upon request (population)

The survey data were subject to descriptive statistical analyses consisting of frequencies and cross-tabulations including Chi Square test.

Results

The main distribution channel for apple is the category of local collectors (48%) and wholesalers (35%). The other attractive channels are retailers and direct sales to final consumers. Other channels appear insignificant (Table 4).

Table 4: The main apple sales channel

Category	Frequency	Percent
Local collectors	88	48.6
Wholesalers	63	34.8
Direct sales	14	7.8
Retailers	13	7.2
Exporter	2	1.1
Processor	1	0.5
Total	181	100.0

Source: Field survey

As expected, formal (written) contracts are not common. Only one farmer stated his engagement into formal contracts with exporter clients. Farmers do not apply formal contracts with other types of clients such as wholesalers and retailers. However, informal agreements exist – about 20% of the farmers interviewed apply largely informal agreements with at least one of the buyer categories (Table 5). Informal agreements are more commonly tied with local collectors (26%).

Table 5: Contracting relations by type of clients

Category		Contracting/agrement			
		Writen	Unwriten	No contract	Total
1 Exporter	Count	1	1	0	2
	Percentage	50%	50%	0%	100%
2 Wholesalers	Count	0	11	52	63
	Percentage	0%	17%	83%	100%
3 Local collectors	Count	0	23	65	88
	Percentage	0%	26%	74%	100%
4 Processor	Count	0	1	0	1
	Percentage	0%	100%	0%	100%
5 Retailers	Count	0	0	13	13
	Percentage	0%	0%	100%	100%
6 Direct sales	Count	0	0	13	13
	Percentage	0%	0%	100%	100%
Total	Count	1	36	143	180
	Percentage	1%	20%	79%	100%

Chi Square = 0.000   Source: Field survey

Farmers were also asked to elaborate on the length of relations with the main buyers of each category. Given that they have more stable dealings with local collectors, one can conclude that social ties/relations play a factor for enabling longer time relations (Table 6).

Table 6: Length of relations with the main buyers of each category

Category		Contract length				
		Up to one month	Up to one year	More than one year	Undefined	Total
1 Exporter	Count	1	0	0	1	2
	Percentage	50%	0%	0%	50%	100%
2 Wholesalers	Count	0	8	1	2	11
	Percentage	0%	73%	9%	18%	100%
3 Local collectors	Count	0	19	2	2	23
	Percentage	0%	83%	9%	9%	100%
4 Processor	Count	0	0	0	1	1
	Percentage	0%	0%	0%	100%	100%
Total	Count	1	27	3	6	37
	Percentage	3%	73%	8%	17%	100%

Chi Square = 0.000   Source: Field survey

It may be expected that farmers that tend to sell to the same clients are also more likely to engage in some form of contracting, and vice –versa. Selling to the same clients requires and enables building up of trust, which also serves as a prerequisite for engagement in (informal) contracts (Table 7).

Table 7: Contract and length of relations within each of the customer categories

Category		Contract/agrement			
		Writen	Unwriten	No contract	Total
Same	Count	1	32	59	92
	Percentage	1%	35%	64%	1.0
Different	Count	0	4	58	62
	Percentage	0%	6%	94%	1.0
Total	Count	1	36	117	154
	Percentage	1%	23%	76%	1.0

Chi Square = 0.000   Source: Field survey

Survey data reveal that farmers usually sell to the same buyer; slightly less than 60% of farmers sell to the same buyer and the rest sell to different buyers.

Table 8: Stability in business relations

Category	Marketing channel where product is sold		Total
	Same	Different	
Count	92	62	154
%	59.7%	40.3%	100%

Source: Field survey

Reasons for selling to the same buyer – at an order of importance based on the number or response rates – are secure market, trust, secure and quick payment, and fairer product prices (Table 9).

Table 9: Reasons for selling to the same buyer

Category	Frequency	Category	Frequency
Secure market	71	Secure and quick payment	55
Trust	68	Short distance	15
Fairer prices	56	Other	12

Source: Field survey

The method and timing of payment and ordering are important indicators of the value chain operation and governance, and are related to transaction costs.

In the case of wholesalers, most farmers state that wholesalers order their products up to one day in advance. Whereas in the case of local collectors, most orders are done one week or one month in advance (Table 10). These findings are in line with the nature of relations with each type of client group – this study clearly distinguishes

the emerging and important role of the local collectors in the value chain governance. These findings are also in line with the nature of relations with each type of client group.

Table 10: Ordering in advance by type of clients

| Category | Main Channel | | | | | | Total |
	Exporter	Wholesalers	Local collectors	Processor	Retailers	Direct sales	
No answer	0	0	0	0	0	6	6
One day	0	32	14	0	7	8	61
One week	1	18	45	1	4	0	69
One month	1	7	23	0	2	0	33
Other	0	6	6	0	0	0	12
Total	2	63	88	1	13	14	181

Source: Field survey

Cash payment is the prevalent form of payment –bank payments encountered only in two cases (Table 11). These findings not a surprise, given the lack of formal contracts on one hand (which logically would be more likely associated with bank channel payment), and, on the other hand, the fact that Albanian economy has a high level of informality and is considered a "cash economy" at large (in Albania it is common that transactions are carried outside the banking system (Bank of Albania, 2004).

Table 11: Main form of payment by type of buyers

| Category | Main Channel | | | | | | Total |
	Exporter	Wholesalers	Local collectors	Processor	Retailers	Direct sales	
No answer	0	0	0	0	0	6	6
Cash	1	63	87	1	13	8	173
Bank	1	0	1	0	0	0	2
Total	2	63	88	1	13	14	181

Source: Field survey

Most farmers obtain payment within a week from the category of wholesalers (Table 12). Regarding the client category of local collectors, most farmers wait more than 1 week – almost half wait for more than a month. One can conclude that the existence of trust with local collectors (being part of the same local community) creates the conditions for longer waiting times on the account of the farmers.

Table 12: Timing of payment

	Main channel						Total
	Exporter	Wholesalers	Local collectors	Processor	Retailers	Direct sales	
No answer	0	0	0	0	0	6	6
On spot up to one week	1	47	23	1	11	7	90
One week up to one month	0	6	23	0	1	0	30
One month up to 3 months	1	5	26	0	0	1	33
3 months up to one year	0	4	16	0	1	0	21
More than one year	0	1	0	0	0	0	1
Total	2	63	88	1	13	14	181

Source: Field survey

Farmers were also asked about the methods that buyers use to control product (fruit) quality (before buying). Field observation seems to the main means for controlling the quality of the product (Table 13).

Table 13: Inspection of production by buyer

	Main channel						Total
	Exporter	Wholesalers	Local collectors	Processor	Retailers	Direct sales	
No answer	0	0	0	0	0	6	6
Advance field visit	2	36	87	1	5	2	133
Product evaluation before/during purchase	0	23	1	0	8	6	38
Personal belif	0	1	0	0	0	0	1
Other	0	3	0	0	0	0	3
Total	2	63	88	1	13	14	181

Source: Field survey

Discussion and Conclusions

This study constitutes a descriptive examination of the behaviour and relations of Albanian fruit farms with other downstream actors. Particular attention is paid to the types of relations between agricultural producers and marketing channel chosen by them, distinguishing between big wholesalers, local collectors and exporters, longer-term relations, commitment and trust, and contracting along the value chain. Given the absence of, or weak, contract enforcement and the clear evidence of embeddedness in dyadic relationships in this chain we focused our analysis on contracting (see Fertő and Szabo, 2002) and personal bonds as a determinant factor to improve business relationship quality (see Granovetter, 1985; Dwyer et al., 1987).

In contrast to Imami et al (2013), who have analysed before the issue of value chain governance in the orchard sector in Albania, this study distinguishes between (ordinary) wholesalers and local collectors (who also act as wholesalers but with a different nature of relations) – and indeed there are obvious relational differences between relationships of farmers with these two types of buyers. Given the fast dynamic changes of the agro-food chain in Albania, this study reflects the latest trends (the survey was conducted in spring 2013) as compared to Imami et al (2013) which were based on a survey developed in 2010.

The survey confirmed that formal (written) contracts are not common in the Albanian fruit sector – only one surveyed farmer is engaged in formal contracts. However, informal agreements are common although, they sometimes do not imply any well-established relationship. The survey and in-depth interviews revealed that the most important exchange partner for apple orchard farmers is the local collector or cold storage owner/operator confirming a shift in apple sector development. The important investment in cold storage facilities has made apple cold storage operators an important factor which will – most probably - pay a structuring role in apple sectors for the years to come.

The level of relationship sustainability between farmers and buyers seems to be a better predictor of governance modes. Mature relationships have the advantage of experience on what to expect from a partner. By comparing methods used to inspect farm production, we evidence that in embedded relationship (farmer-local collector channel) buyers rely much more in field visits (roughly 99% of cases) than in other relationships (57%, in the farmer-wholesaler channel) suggesting a higher level of cooperation and commitment; time of payment is much longer in embedded relationships (74%, later than one week) compared to the main alternative channel (26%, later than one week) suggesting a higher level of trust. The same pattern can be observed regarding advance payment. These facts highlight the role of repeated exchange and embeddeness in motivating long-term cooperation, because opportunistic behaviour may undermine the longevity of the relationship as suggested by economic models of relational governance (Klein, 1996). Both sides have enough time to develop personal bonds and commit to each other. As noted by North and Weingast (1989), countries without an enforceable system of property rights cannot rely on contracts to enforce expectations and promises. The agricultural sector in Albania lacks a cultural and legal commitment to the use of formal contracts. Even the so-called "verbal contracts" don't ensure any type of safeguard. Most farmers state that the main reason for which they do not use formal contracts is that their clients do not prefer or they don't see any benefit in contracting.

By the other side, the main reasons for selling to the same buyer comply with trust facets as many behaviour and sociologist suggest. Secure market (antecedent of trust), trust, secure payment, and fairer product prices (honesty) are related to trust dimensions giving credit to sociologists arguing that interactions embedded within close ties will yield economic gains and sustainable relationships (e.g., Granovetter, 1985).

The survey showed a weak prevalence of verbal contracts in embedded relationships. The percentage of contracts between farmers and local collectors is slightly higher than the same ratio between farmers and wholesalers. This evidence is much stronger when we investigate the incidence of contracts in stable relationships (same buyer). We also find that mature relationships generate higher sustainability a result which does not come as a surprise, although the coordination between farmers and other actors downstream is only at early stages.

The main implications, which arise from our analysis, are mostly for agribusiness, farmers and policy makers. In order to enhance the sustainability of business relationships, trust, coordination and reliability are to be considered important determinants for relational governance. As the level of trust increases, partners can mitigate uncertainty (Luhmann, 1989) and pay more attention to coordination concerns. Buyers should also try to foster personal bonds with their main suppliers building the necessary trust that serves as a moral safeguard to the relationship. Relational contracting diminishes the role of asset specialization as a sufficient condition for high transaction costs in the market (Mellewigta, et.al. 2007).

As the agro-food value chain is expected to change substantially in the coming years in Albania, due to the fact that the share of supermarkets in the retail sector and export is expected to increase significantly in number and volume, the network in apple sector will change substantially. These factors may increase network centrality of wholesalers and local collectors strengthening their role in the supply chain. Contractual and relational arrangements, such as partnerships that aim to achieve greater vertical coordination (see Hughes, 1994) can tackle uncertainty and reduce transaction costs in an environment that poses such challenges for both farmers and intermediaries. Strengthening law enforcement institutions is needed in order to enable a favourable environment for contracting (for farmers, wholesalers, retailers and processors).

In-depth interviews confirmed that vertical chain organization works better when actors downstream work with groups of farmers rather than with individual farmers. In this context, any government or donor agency intervention may consider establishing public private partnerships – key value chain actors (local collectors, exporters) and farmers assisted in groups by public extension service - with the objective of strengthening both vertical cooperation and cooperation among farmers.

In conclusion, despite the limitations associated with the descriptive nature of the research, this study contributes to a deeper understanding of the relationship between farmers and buyer, channels adopted and determinants that might explain the governance modes investigated. Further in-depth analyses using a different approach and applying appropriate models will give a deeper inside of transaction hazards and relationship between trust antecedents and facets, specific assets, uncertainty and competition both downstream and upstream with hybrid governance modes.

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