

Decision Making and Negotiation Processes in the Food Trade

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This scientific study focuses on the economic and especially the psychosocial factors of success in negotiation processes between buyers (procurers) and suppliers (producers) in the food trade. In particular, it examines the economic and mental satisfaction in the decision-making and in the negotiation processes for efficient food supply. It studies primarily transparency in addition to the Harvard concept at annual meetings (or during the year) favoring a satisfactory result for both negotiators. In a structural equation model, the Harvard negotiating points are brought together with transparency in communication, in terms of successful economic experiences and socio-mental satisfaction.

Keywords: *Decision Theory, Negotiation Theory, Negotiation Optimization, Satisfaction*

JEL Classification: *D30, D47, F12, F14, F18, F40, L11, Q00*

1. Introduction

Every day new horror stories let us scare up...

The number of people on this earth is increasing, but on the other hand raw materials, especially food, are distributed unequally.

A lot of people do not get any of them, or the prices where you still can get them are growing and growing and growing...(Sarris, Conforti, and Prakash 2011)

So we all believe...

If humans do not have enough to eat or drink, they would become "uncontrollable". It cannot be that many countries are not available to global goods.

With the delivery of food and beverage people will face survival. It may not be that the levy of a few controls and is impeded from profiteering (Cotula et al. 2009).

So some people and organizations go a further step with their allowances...

A uniform and controlled release must be created; otherwise we face a growing problem. A shortage of plans for other developments. If the people do not eat or drink enough, they also do not need further plans and lose ambitions and their ideals and standards.(World Food Programme 2009)

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The UN Food and Agriculture Organization (FAO) in early June 2010 in their semi-annual "Food Outlook" recognizes that the cost of food imports are rising, particularly in the poorest countries. This now threatens a famine in Africa, because the poorest countries pay more and more for imports. More particularly, the financial burden on food imports as calculated by the UN organization in the world this year to amount to about \$ 100 billion (81.8 billion euros). (Fao 2011)

In return, however, new debts are created to import the daily needs of the people. In particular, the ten million people in the eastern Sahel in West Africa, according to the UN World Food Programme (WFP), are facing a period of starvation. Already, more than one billion people suffer from hunger and malnutrition. Therefore, on a three-day "Conference on Nutrition", FAO, with representatives from the 192 member states in November 2009 set to a five-point plan against hunger. (Fao 2011)

But there are not only reasons of force majeure, such as crop failures and weather conditions, but also political miscalculations and bad decisions, as well as illegal price fixing for ever higher prices. (McMichael 2001)

But the increase in biofuels demand raises prices for cereals and rice. More and more people can afford less and less food. A food crisis is imminent, thus expanding the common social life more and more threatened.

In countries like Egypt the meat prices have risen by 50% and there are threats of riot. And an end to price increases is not clear, as the Food and Agriculture Organisation (FAO) points out. But the fault lies not only in the interests of environmental conditions, but increasingly in the wrong policy.

Price of rice doubled!

Other countries in Africa are worse affected by the rising prices. Thus, the price of a kilogram of rice in Mauritania, West Africa, doubled in the last three months. At the same time in Zimbabwe, the price of corn increased by 59 percent and in neighbouring Mozambique by 57 percent. In the Democratic Republic of Congo, a portion of fish a year ago cost 10 dollars (8.3 Euros), today it is 25 dollars (20.8 Euros). For a 25-kilogram bag of rice, people must now pay 30 dollars - not for many financially viable. The policy is completely overwhelmed with the demand increase in the consumer society and the related allocation problems (Fao 2011).

But, what is the truth?

Famous critics, such as Bjorn Lomborg, criticize these negative attitudes and campaigns.

In addition to individual Traders there are many other winners by rising commodity prices. Therefore, many welcome this development because the higher commodity prices have also reached to a certain extent of producers. A lot of people (Indians, Chinese, and so on) can afford more than ever before. (Lomborg 2002)

There are many open questions now...

Do we lose control over our food supply chain and is there no future for food for all?

Do always get less people something to eat in the future?

Or is that only a horror scene, because with fear its easy to earn money...

True to the motto: "If people have fears, they can be controlled better."

Main Reasons for Agricultural Scarcity (Hiebl 2008) (Aalst et al. 2014):

- Micro-economic aspects
 - Climate change and rethinking the ecological issues also leads to changes
 - Storage situation for stackable products, which changes the supply situation (manipulation, storage costs, warehouse conversions and expansions...)
 - Politics - for example export tax, import bans, ...
 - NEW: Speculation
- Macro-economic aspects
 - Developing countries and their increasing demand for meat, vegetable oils,...
 - Emerging markets and their increasing demand for milk, meat,...

2. Theoretical Foundations and Actuality of the Topic - Literature Review

2.1. Problem Statement

The topics of raw materials, waste and energy will be the top economic issues of the future, or influence and affect all other subjects (human resources, culture, society,...); all combined with technology, IT and Tech Communication.

The shortage of raw materials is one of the central issues in the future perspective and this fact is

already influencing the relationship between buyer, producer and supplier.

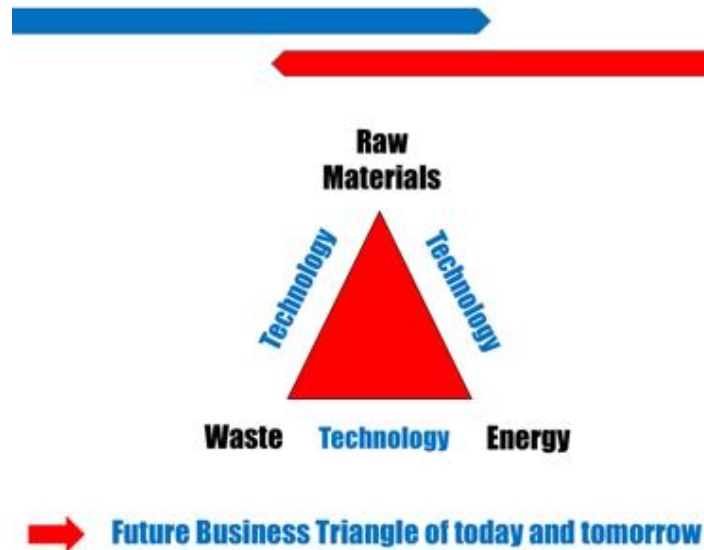


Figure 1. Future Business Triangle

2.2. Survey of the Current Negotiation Situation Between Buyers and Suppliers

This current shortage of agricultural commodities in the market now changes the actions of producers, middlemen, the wholesalers and the stationary and virtual sales. It will nevertheless continue to work according to prescribed conditions of the corporations. The current situation is a completely new one, in the fact that those of recent decades are not accustomed and trained.

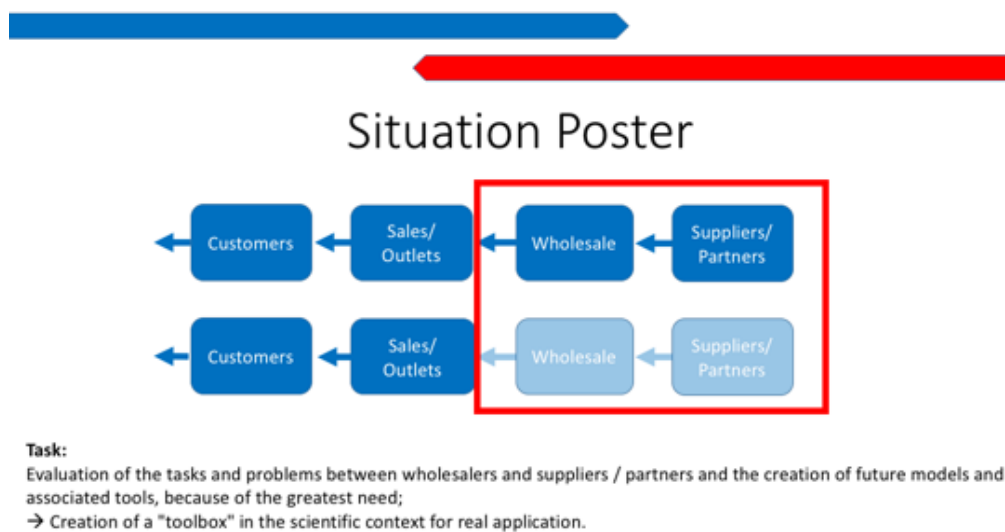


Figure 2. Situation Poster

3. Theoretical Framework and Model Development

3.1. Purpose of Study

The interaction between purchasers, suppliers and producers with respect to the procurement of raw materials, goods and products is examined specifically in terms of their economic and psychological satisfaction. Is it possible to satisfy all parties not only in an economical way, but also in their mental satisfaction.

The question:

How to run negotiations between purchasers, suppliers and producers, so that both parties are really satisfied (economically and mentally)?

The answer:

The negotiations must be transparent in the relation to prices, quantities, etc., because in the way of approaching the interests, the satisfaction will increase consequently.
A new relationship must be created, to create common solutions.

Survey of the current negotiation situation between buyers and suppliers:(Volker 2013)(Volker 2006)

- The demands of commercial enterprises towards their supply chains are that prices must fall, and the amounts have to increase in the following years.
- The reality in trade is that the production quantities are stagnating and grow only in the range of widths. The prices are rising due to direct and indirect depletion rates.
- A decades working habits comes to falter ...
- Stress among all participants in the negotiations and the annual meetings is the result ...
- The current culture of dialogue and objective needs to change - a common objective must be the result, in order to ensure the supply to the complete satisfaction of all concerned.
- Instruments or tools for a future-oriented negotiation are missing or be only in a developmental stage, and these data are mostly from historical or contemporary issues, but not future orientated.

3.2. Novelty

The Authors research question deals with the topic:

Analysis of direct and indirect factors influencing the interaction between procurement and suppliers/ partners in the foodtrade and wholesale.

It is requested on the basis of a structural equation model, such as the negotiations between purchasers and sellers in the optimal case expire have.

How to create an optimal negotiation situation and a common result.

For this, the Harvard concept is used to query the derived ideal negotiation situation. Respectively I focus my study on the aspect: The interaction between procurers and suppliers is analyzed specifically in terms of their economic and psychological satisfaction / variables. Is it possible to ask all parties not only economically satisfied, but to also provide their equal "satisfaction". In previous negotiations, there is usually a loser and sometimes a winner.

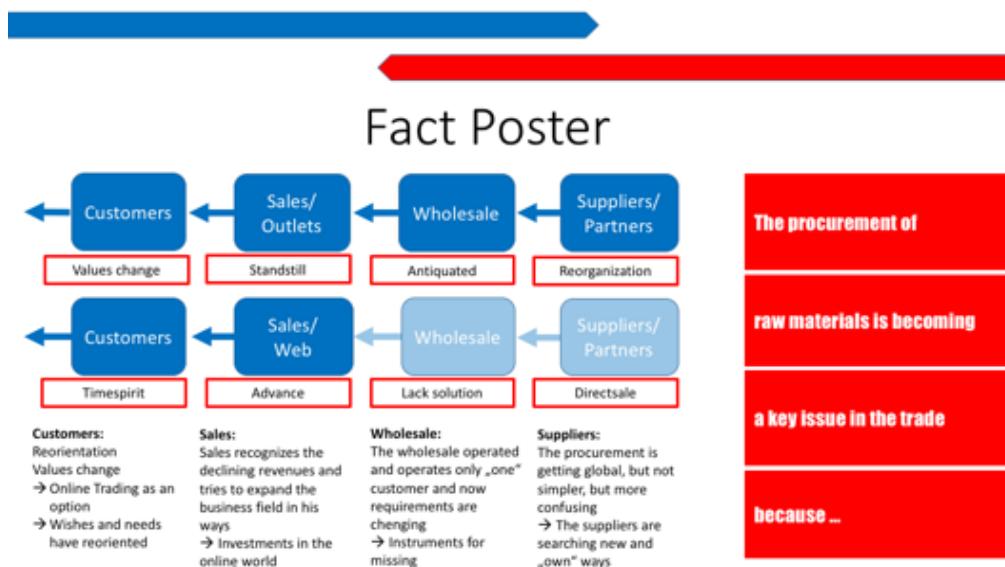


Figure 3. Fact Poster

3.3. Hypothesis and Propositions

The main aim of this paper is the creation of a model that empirically investigates the economic and especially the psychosocial factors of success in negotiation processes between buyers (procurers) and suppliers (producers) in the foodtrade and wholesale. In particular, this model examines the economic and mental satisfaction in the decision-making and in the negotiation processes for efficient food supply. It studies how transparency at annual meetings (or even in between annual negotiations) favors a satisfactory result for both negotiators.

Hypotheses:

HB1 – The structure of the negotiation process has an impact on the outcome of negotiations

HB2 – The more transparent the negotiating process, the more efficient the negotiation efficiency from the perspective of both negotiators

Propositions:

The question is therefore: How to run negotiations between procurers and suppliers so that both parties are really satisfied?

Answer: The negotiations regarding prices, quantities, etc. must be transparent, because with it the approach to the interests happens and so consequently the satisfaction increases.

4. Research Design and Model Testing

4.1. Research Design

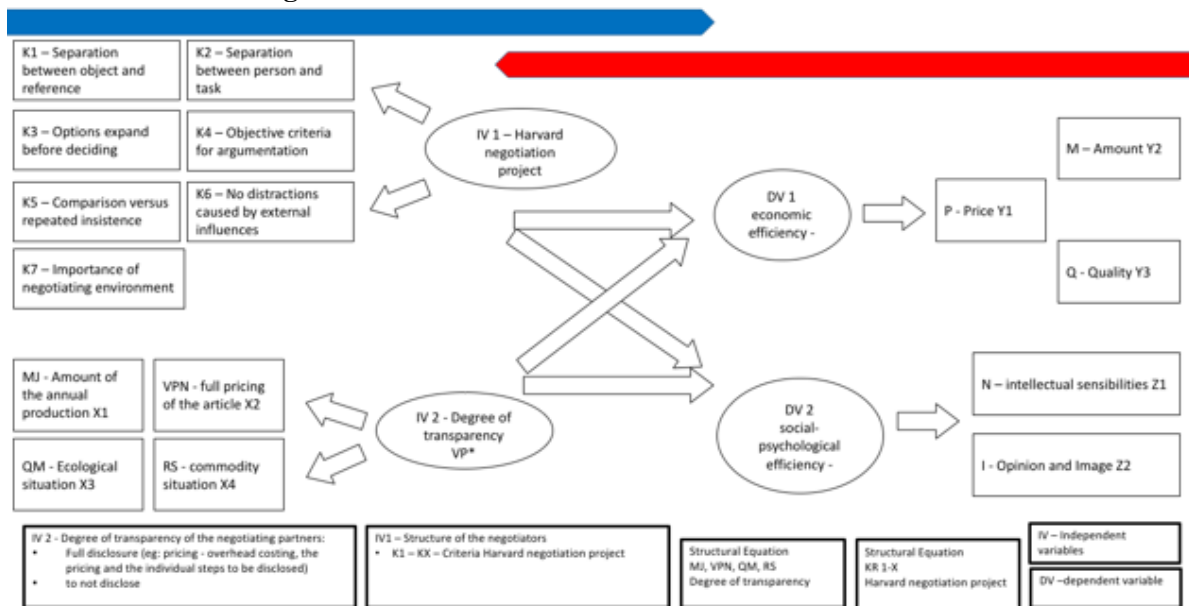


Figure 4. Research Design

4.2. Model Testing

Investigation by interviews in a field experiment - cause-effect relationship - game theory with empirical relining, for a discussion about the satisfaction degrees, depending on the transparency in the communication skills in discussions between buyer side and supplier/ partners.

Questionnaire to discuss the satisfaction precisely, depending on the transparency in the communication skills, in discussions between buyer side and supplier / partners:

- Investigation by interviews in field experiment - cause-effect relationship - game theory with empirical relining:
 - Survey of round about 40 suppliers and 40 acquirers
- Which negotiation with respect to the mutual transparency must be applied in the future to optimize the negotiation situation between "donors and takers" due to the increasingly difficult procurement?
- What form of negotiation needs to be created, in order to improve the situation and to achieve the full satisfaction degree in economic and mental respects?
- What changed the level of disclosure and transparency of all proceedings variables and an open discussion (full transparency) the design of negotiations in respect to economic satisfaction as price, quantity, quality or the mental psychic satisfaction regarding fears, nervousness, satisfaction level, the impact and image of the acquirer regarding trade outwards?

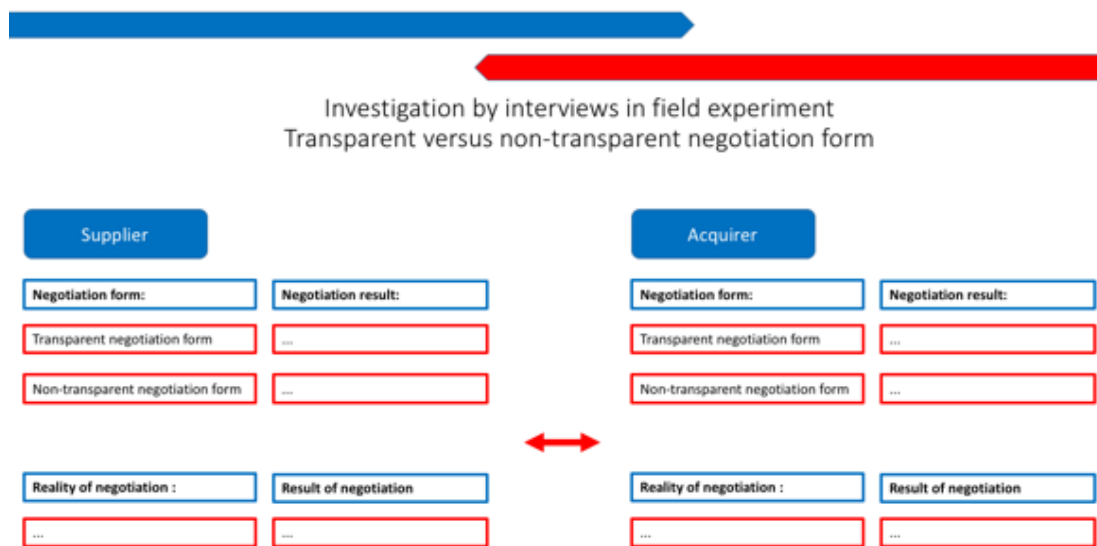


Figure 5. Investigation by interviews in field experiment

5. Research Results and Interpretation

Aim of Research

My aim is to look at the reality, draw conclusions in order all parties, to improve the cooperation.

If we could resolve the "fronts" between "procurement" and "donors" to a cooperation in the form of a transparency, it would help the entire cycle.

Research object

Examination of annual and negotiation talks in trade between procurement and suppliers.

Research subject

Examination on how will complete transparency, in the negotiations with regard to their economic and mental satisfaction, appear for all negotiating parties.

Content of scientific studies

Firstly: More in-depth research on the future structures, systems and procedures of (wholesale) trading houses. The creation of a future "toolbox" and the analysis of the direct and indirect factors influencing the interaction between procurers and distribution in the (wholesale) trading.

Secondly: Evaluation of the procurement market and sources of supply with the new approach of direct and indirect influences on the transparency and the shortage rate. Procurement as today, will not be possible for tomorrow. A shortage and an associated reduction of purchasing volumes is already entered. In what way can the absolute transparency and total satisfaction related contrast control.

6. Conclusions and Recommendations

6.1. Conclusions

The procurement market needs more knowledge and tools, in the procurement and allocation issues, for a common and transparent review and also analysis tools in regard to the future procurement situation.

The full transparency of prices, quantities, and so on, must be given, as thus also the approach to the interests happen and thus consequently increases the economic and mental satisfaction of all parties.

6.2. Findings and Results

This means an extension of the Harvard concept with the level of transparency and, consequently, in economic and mental satisfaction for all negotiating parties.

How is changing an open discussion (full transparency) the design of negotiations in respect to economic satisfaction, such as price, quantity, quality, or the mental psychic satisfaction regarding fears, nervousness, satisfaction degree, the impact and image of the acquirer?

6.3. Main conclusions

If we could resolve the "fronts" between purchasers, suppliers and producers to a cooperation in the form of a transparency, this would help the entire cycle.

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