

# THE IMPACT OF CHAIN GOVERNANCE FOR THE PRODUCTION OF TRUST

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## ABSTRACT

Consumers are getting increasingly concerned about food quality. Associated with this, public and private sectors have been enforcing compliance with strict food standards. This study focuses on the strategic response of Brazilian beef chain to comply with food standards and their attributes, specifically those demanding trustworthiness among partners. From a chain perspective, the study characterises both the Brazilian domestic and export markets. The empirical approach employed in the study is based on qualitative methods with case studies. The results have great policy and managerial implications. Emerging public and private standards are demanding changes to a more integrated supply chain in order to enhance confidence in beef production and processing. Findings describe those kinds of governance that stimulate upgrading and transferring of best practices and, consequently, result on more trustworthiness on chain relationships. From a managerial perspective, the results suggest that tight governance and investments in management capacity to new forms of organisation have to be considered.

**Keywords:** food standards – trustworthiness – chain governance – beef chain – supply chain

## 1 INTRODUCTION

Developing countries are important players in food production and marketing. In general, their agri-food chains are still relying on traditional spot market relationships and old business practices. In order to comply with regulation and certifications, it is necessary changes in the relationships within the supply chains. An example is Brazil, where efforts have been made by public and private sectors to upgrade public policies; particularly on those focusing on export sectors. Relevant literature points out the development of trustworthiness partnerships and alliances as the best way to comply with these standards (CASWELL, 2003; LINDGREEN, 2003). This paper identifies different kinds of chain governance and describes

how they stimulate the development of trust within chain's members to allow full compliance with food standards. The next section discusses the theoretical framework based on global commodity chains approach and defines trust. Then, section 3 describes the method applied in this research. Section 4 summarises the Brazilian food policy and section 5 presents the case studies carried out. Section 5 discusses the main findings and draws the main implications of this study.

## **2 THEORETICAL FRAMEWORK**

It is fundamental the identification of the agent responsible for the setting and monitoring of the standards, particularly when considering a global food chain. In this way, this section reviews the literature about governance from a developing country perspective. Next, it is considered the importance of trustworthiness within a supply chain. Therefore, a link between governance and trust is proposed.

### **2.1 Governance**

Global Commodity Chain (GCC) is a method of analysis focusing on power within global production and the spread of manufacturing over developing countries. Gereffi (1994) differentiates two types of governance structure: producer driven and buyer driven. The first structure means a chain where a large company (usually transnational) co-ordinate the whole supply chain and is characterised by capital and technology intensive industries. Here, the main strategy is to attain economies of scale on the manufacturing. Traditional examples are automobile companies such as Ford and General Motors. Conversely, buyer-driven chains focus on the domination of retail companies and brand-named merchandisers. These compete intensively against each other on continuing minor innovations to products and packaging, on the maintenance of strict quality criteria and on price. Traditional examples are UK supermarkets, Nike and Reebok (GEREFFI, 1999; DOLAN and HUMPHREY, 2000; KAPLINSKY, 2000). These companies are merchandisers that design or market the products that they sell. The key agent (the "lead") delegates, manages and enforces the production process to ensure that its supply chain really complies.

Gereffi (1994) recognises that both systems, the buyer and the producer driven, may be contrasting, but not mutually exclusive. Large companies play the role of the governor creating and monitoring their own standards. They can be manufacturers detaining

technological and production information (producer-driven) or retailers or branded companies concentrating on the possession and “translation” of market information.

Dolan and Humphrey (2000) described the governance exercised by UK supermarkets on the production and processing of fresh vegetables in Kenya and Zimbabwe. Their findings showed chains governed by supermarkets searching for increased product differentiation.

The governor of the chain, i.e. the establisher of the standards, should have sufficient size and capacity to monitor the standards, while the supplier should have the capacity to invest to meet the standards. However, Dolan and Humphrey (2000) showed that processors in developing countries had difficulties in meeting the requirements of UK supermarkets (food safety, environment, labour). Being chain “governor” increases the responsibility of the retailer for occurrences in the supply chain. Consequently, such supermarkets develop and aim to hold capabilities that can develop competing chains worldwide.

Kaplinsky (2000) identifies three possible forms of governance. The first is **legislative** governance, where the basic rules are set that define the conditions for participation in the chain. **Judicial** governance means an audit of performance and monitoring of compliance. A more proactive form of governance is **executive**, which provides assistance to chain members to meet the proceedings. Governance can be provided from within, or without, the chain. These three categories are summarised in the next table:

Table 1: Examples of Legislative, Judicial and Executive Governance

<b>Kinds of Governance</b>	<b>Exercised by parties internal to chain</b>	<b>Exercised by parties external to chain</b>
<b>Legislative governance</b>	*Setting standards for suppliers in relation to on-time deliveries, frequency of deliveries and quality	*Environmental standards; *Child labour standards
<b>Judicial governance</b>	*Monitoring the performance of suppliers in meeting these standards	*Monitoring of labour standards by NGOs; *Specialised firms monitoring conformance to ISO standards
<b>Executive governance</b>	*Supply Chain Management assisting suppliers to meet standards; *Producer associations assisting members to meet these standards	*Specialised service providers *Government industrial policy support

Source: Adapted from Kaplinsky, 2000.

The table above describes the different roles played by different agents in the establishment and/or monitoring of standards. It is fundamental to identify **the responsible** for these tasks and to understand chain dynamics. The governor can be considered the chain

“strategist”. He is the one who determines the future of the chain. From the above table, obvious links can be seen between governance and standards. The international organisations responsible for the establishment of standards (WTO, Codex Alimentarius and OIE) would exemplify the legislative governance. The judicial governance is the enforcement of standards made by national governments. Finally, the executive governance relies on private standards. Governance can be therefore be exercised in different ways and through different agents along the length of the entire food supply process depending on the kind of standards existent.

## 2.2. Trust

There are many definitions of trust found across a large range of disciplines. The definition used in this paper is trust seen as “the extent to which one believes that others will not act to exploit one’s vulnerabilities” (MORROW et al., 2004). Trust involves, at least, two agents: the trustor has trust in something (organisation, product, institution) or someone – the trustee (ZUCKER, 1986; LANE, 1998; NOOTEBOOM, 2002). Thus, trustworthiness is the perception held by one party that another party is worthy of trust.

Trust is considered difficult to measure. To attempt to solve this, Zucker (1986) proposes different levels of trust to be represented as in the following table:

Table 2: Different Levels of Trust

Level/Basis	Source	Examples
Characteristics based trust (Micro level trust) – based on common characteristics such as ethnicity, family background and culture.	Family background, ethnicity, sex.	Membership of professional associations, educational achievements.
Institutions based trust (Macro level trust) – based on codes or guarantees that the transaction will take place as promised.	Professional firm, associations, regulation, bureaucracy.	Technical/professional standards, benchmarking.
Process based trust (Meso level trust) – based on past exchange experience or future expectations.	Reputations, brands, gift giving.	Mutual adaptation, learning by doing, routinisation.

Adapted from Zucker, 1986 and Nooteboom, 2002.

A clear definition of who is the trustor is fundamental for a full comprehension of trust, as organisations have no ability to trust; only individuals within organisation have this ability (MORROW *et al.*, 2004). Batt (2000:76) asks who does the seller trust, the salesperson

or the sales organization? Personal relationships are extremely important for the formation of trust and this factor should be considered when analysing business transactions.

In a business transaction, trust is a valuable strategic variable that impacts on timely deliveries that conform to specifications, general reliability, know-how of production requirements, valuable information about the market, among others (LINDGREEN, 2003). Trust can also be a reducer of asymmetric information, not only in long-term relationships, but also in any kind of transaction (AKERLOFF, 1970).

Considering previous research, trust can be classified into two dimensions, cognitive and affective. **Cognitive trust** depends on the success of past interaction, the extent of social similarity and the context (MCALLISTER, 1995; MORROW *et al.*, 2004). People choose who or what they will trust through a process of careful and methodical thought in order to determine whether someone or something is trustworthy. Thus, the main point is how one develops good reasons to be trusted.

**Affect-based trust** refers to one's instincts, intuition or feelings concerning whether something or someone is trustworthy (MORROW *et al.*, 2004). It assumes goodwill and an absence of opportunism. The bases for this kind of trust are emotional bonds between agents or individual. These occur as a result of social similarities such as ethnic background.

McAllister (1995) shows that some level of cognitive based-trust is necessary for affective trust to develop. When two agents have established frequent reliable and dependable transactions, and cognitive trust exists, this can evolve into affective trust. The author indicates two important points about the development of the relationship. First, affect based trust should be viewed as a distinct form of interpersonal trust rather than as a higher level of trust. The second consideration is that once a high level of affective trust has developed, a foundation of cognitive trust may no longer be needed.

### 2.3 Food Standards

There are several kinds of food standards, some with distinct aims and some overlapping in its functions. First, it is important to clarify which attributes the standards are related to. The next figure relates the attributes with to the level of information asymmetry between buyer and supplier:

Search Attributes	Experience Attributes	Credence Attributes
Qualities, which are known before purchase	Qualities, which are known after purchase	Qualities, which are difficult to evaluate but the buyer can rely on third-party judgments

Increasing information asymmetry




Figure 1: Product Attributes

Search attributes are those that consumers can evaluate before purchasing. Experience attributes are those for which consumers can evaluate only when consuming the product. Credence attributes are those for which the consumption does not bring information on the quality (for example the use of pesticides). Because customers cannot detect credence attributes, extrinsic cues must be used to indicate the presence of these attributes. As extrinsic cues have nothing to do with the physical product, experience cannot be used to judge if the product contains the necessary attributes. In this case there is a need for reputation or labelling that the customer can trust. Here, it is proposed that attributes will affect the kind of relationship necessary to comply with.

Based on this review, this paper proposes a link between the kind of governance exercised within the chain and the basis of the production of trust. In this way, a trustee agent can produce trustworthiness throughout its supply chain. This is fundamental to assure food safety within a food chain. In sum, different kinds of governance strategically can be used to produce trust while aiming a full compliance with specific food standards.

### 3 METHOD

This qualitative study focuses on the Brazilian beef chain, which has been increasingly important for the country's economy. The country has been increasing its exports to several countries, which were valued at more than US\$ 1 billion in 2002 and 2003. Brazilian beef processing is characterised by nationally owned companies, differently from other important food sectors dominated by transnationals (JANK et al, 2001). The study analyses two different beef marketing channels. This study present results of nine case studies, five of export and four of supermarkets. The first marketing channel focuses on five case studies about chains exporting beef to the European Union. The second market is represented by supermarkets' own brand beef chain. The key issues of this analysis are the characterisation of

each channel, identifying the role of the governor, the standards enforced and the impact on the production of trust.

Firstly, the Brazilian food policy is described through a rapid appraisal with experts and secondary data. Then, case studies have been carried out based on a questionnaire derived from the literature review. The in-depth interviews were conducted and analysed by this researcher, and then discussed with experts. A preliminary report was sent to the key persons and to some of the case studies interviewees to confirm the information gathered and check validity. The use of multiple sources (in-depth interviews, annual reports, secondary data and direct observation) also aimed the construct validity. Any claim was supported with multiple evidences when possible (MILES AND HUBERMAN, 1994). The software NVIVO helped to group and related the concepts of trust and applications on the interviews made. The interviews were conducted with individual firms, but the analysis try do see them in a chain context. Thus, all the information gathered was analysed in the wider context, identifying the links and relationships between the agents of the chain aiming to “design” and “understand” each chain in a more dynamic approach. The last step was a cross-cases analysis to note patterns and contrasts between the cases to answer the study questions.

#### **4 BRAZILIAN FOOD POLICY**

The occurrence of relevant food scares throughout Europe and their impact on demand has led consumers to require information about the safety of the food. Processors and retailers have been trying to recover consumer trust on food. Demand and supply have made food safety a priority encouraging the establishment of international food safety rules. In sum, food safety standards are determinants of beef trade.

In Brazil, the Ministry of Agricultural and Food Supply (MAPA) is composed of four Major offices, called *secretarias*. The Ministry has the competence to regulate the production, marketing, import and export of fresh and semi-processed agricultural and food products. The Ministry's regulatory activities about food standards are enforced by Office of Agricultural Protection (SDA), the office responsible for enforcing regulations governing domestic and imported plants and animals, and their respective products and by-products, and certain other agriculturally related products. In co-operation with State governments, SDA administers Federal laws and regulations. This Office also co-ordinates the Brazilian government positions in international forums such as WTO, OIE and CODEX.

The regulation and controlling of food quality and safety is dispersed over several public institutions. But despite of the efforts of these Governmental institutions to apply a

modern sanitary regulation, all the interviewees agree that there are little qualified people to inspect and control the implementation of the requirements within food processing.

Salay and Caswell (1998) criticise the Brazilian food policy because it focuses largely on registering food products and establishments. There are few inspections and sanctions to those that violated the law. Brazilian food control policies are more influenced by the requirements of international trade than by domestic concerns on public health. The government emphasizes safety controls for food products destined to export and those are well understood by exporting companies. In contrast, there is a lack of efforts on education, control and prevention on the domestic food supply. As consequence, these authors identify a process of exclusion with public certification for products with superior quality while domestic consumers have little access to products meeting safety standards.

## **5. CASE STUDIES**

### **5.1 Export chain Cases**

Some brief descriptions of the five chains studies are presented below.

#### **CHAIN A**

This chain consists of a large and vertically integrated beef producer and processor to comply with traceability. The processor could not develop suppliers' interest on adhering and decided to supply its own inputs. The compliance is inspected by the MAPA. A German wholesaler imports using spot market relations. There is no contract or trust in the relationship, which is ruled by INCOTERMS (international commercial terms).

#### **CHAIN B**

This chain consists of an organic beef supplier vertically integrated backwards to fully comply with organic standards. This company could not motivate any local beef producer to change the production system from conventional to organic. The Dutch importer gave assistance to obtain the certification valid in the EU. There is no contract but there is cognitive trust and shared plans. A certifying body inspects the compliance with standards.

#### **CHAIN C**

This chain consists of a beef processor that developed business relationships with selected local producers. The aim was to comply with traceability and Hilton quota standards. The



relationship is based on affective trust. The importer is an UK wholesaler that sources worldwide and distributes beef to restaurants and industrial kitchens. Their relationship is based on spot market. MAPA is the agent responsible for the inspection.

#### **CHAIN D**

This chain consists of a beef processor that purchases on spot market. This brings difficulties on following export standards. Recently, the processor established two systems to qualify and have loyal suppliers but the results have been below expected. The Italian wholesaler also purchase in a spot market form. There is no trust involved in this relationship.

#### **CHAIN E**

This chain is formed by a group of farmers that vertically integrated forward and process beef under their own brand. This group also develop alliances based on affective trust with local farmers to supply a genetically improved livestock. On the other hand, the group export to a Chilean supermarket on spot market transactions.

In general, Brazilian beef exporters are large-scale processors and family-run business. The existence of contracts is still seen as dangerous. One of the reasons is the fluctuation of the exchange currency rate in Brazil. This results on exporters acting as gamblers, earning or losing money against the currency fluctuation. The existence of a contract would mean that they would have to comply with a fixed price on the long term. And, because of successive economic in the last 20 years, there is uncertainty of which will be the exchange rate in the short term. Then, vertical integration and spot market are still the most common form of coordination. Importers decide to purchase Brazilian beef based on 1) little number of exporter countries 2) low price. It is a common strategy for beef importers to source from more than one country. This is done to cope with risk of a disease outbreak. EU importers are mainly wholesalers distributing to hotels, restaurants and cafes (HERECA). The country of origin is not an important issue for these channels. It is difficult to access traditional channels such as supermarkets and butchers.

The investigation of the cases confirmed the existence of opportunistic behaviour between farmers and processors indicated in previous literature (Silva and Batalha, 2000). But chains are responding to this in different ways. One case does not regard the development of trust as a strategy. In case study “A”, where the use of vertical integration happens because of mistrust generated by, for example, bad past experience of delayed or non-payments and bad

quality inputs. Vertical integration increases the control of one part of a business in another part of the same business, although it is not a guarantee of right input. Conversely, the processor analysed in case study “E” started as a farmer and integrates vertically downstream aiming to add value to his production. This processor uses a quasi-integration strategy to attract suppliers working under the same quality of production, process and breed. Alternatively, processor “C” has been trying to develop hybrid forms of co-ordination in order to have available high quality inputs to attend to the customers’ orders. He chose 50 suppliers based on having a friendship and similar background and gives them a preferential treatment. The affective trust is easily generated when managers and farmers live in small towns where they have an important role in the community. This creates trustworthiness to expand these personal relationships to the business environment. The formation of hybrid forms can be considered a survival strategy (only alternative) for these companies staying in the supermarket and export market. The essential point is not joining strengths as suggested by Child and Faulkner (1998), but the compliance with the new “rules of the game”. These are the enforcement of quality and safety assurance throughout chain integration.

Conversely, processors and importers use spot markets even though there is cognitive trust about the compliance of standards, price and delivery conditions. Having different business cultures does not alter their belief that the transaction will be successful and repeated in the future. Importers stand by the view that MAPA is responsible for monitoring the process of the beef according to the international regulation that the Brazilian government enforces. The processors believe that importers will not try to renegotiate the terms of trade. It is a professional relationship, based on documents such as e-mails, fax, letters or orders. Reputation is an important issue. The use of international trade terms also helps to standardise what are the obligations and the rights of both parties.

In discussing the cases, it is possible to identify trust as playing two roles. The first role is the existence of it (previously) motivating the formation of the hybrid form. This occurs in cases where affective trust encourages companies to enter into a closer relationship. The second role is where the trust is the aim of the relationship. This appears specifically in the cases where cognitive trust is involved.

The governor of the chain is the link that has power to set price and standards. In all cases, exporters are not able to set prices. The only exception is the organic beef (Chain B) case, where the processor can negotiate better prices (around 5% more than market prices). Mostly, Brazilian beef is sold for 5% less than other competitors’ countries (Australia and Argentina). Again, in this case, organic beef processor is an exception. Beef importers

exercises legislative governance (KAPLINSKY, 2000) characterised by setting of standards about transaction terms. Thus, importers assume that **MAPA is the responsible for monitoring the full processing and he inspects, randomly, the final product.**

Differently, processors and importers developed a cognitive trust related to the compliance of standards. Even that they come from different business cultures there is a belief that the transaction will succeed and repeat in the future. Importers trust that MAPA is responsible for monitoring the process according to the international regulation (institutional trust). And processors believe that importers will not try to renegotiate the terms of trade (process trust). It is professional relationship, documented on e-mails, fax, letters or orders. The use of international trade terms also help to standardise what are the obligations and rights of both sides.

## **5.2 Supermarket Chains Cases**

Below, it is summarised the main features of the four case studies.

### **CHAIN F**

This chain consists of an European retail company that owns a beef processing plant in Southern Brazil. It co-ordinates a large number of beef producers and follows the same production standards used in Europe. There is cognitive trust between these them.

### **CHAIN H**

This chain consists of a large Brazilian retail company with 25% of participation of an European group. This supermarket develops its own Quality Assurance scheme, which gives assistance to the suppliers on meeting the standards. The beef processor produces for the supermarket's own brand. The standards are based on international guidelines and also have environmental and safety concerns.

### **CHAIN I**

The key agent is a national owned retailer with a reputation for high quality products. It was a pioneer on developing own brand beef. It imposes to its suppliers the same standards of the Hilton quota, those used to have special treatment in the European Union market.

## **CHAIN J**

This chain consists of an European retailer co-ordinating eight beef processors and 34 beef producers to produce own brand beef. The retailer provides technical and market assistance to the suppliers.

Supermarkets have been pressuring all suppliers to use contracts, to comply with their own standards and lower prices. This relationship has reputation and brand as the main specificities. There is a certain resistance, especially from processors, but first movers identified good and bad results. Supermarkets organise meetings with supply chain to explain their guidelines and standards of their own-brand (cases H and J). Likewise, in these meetings, there are discussions about changes in demand, trends and similar issues. The size and expertise of supermarkets qualify them as natural chain governors. These meetings are breaking the traditional mistrust, bringing along all links. Consequently, producers and processors are sharing ideas and working for a common aim. All supermarkets interviewed declare that their price formation is made based on the competitors, investigating other supermarket's price. This is one example of the increasing competition due to the concentration in this link. Therefore, all supermarkets studied follow the same strategy, adopting best practices developed by large transnational retail chains. When supplying the own-brand, processors have tighter margin and MUST follow supermarket's rule. On the other hand, when selling processor's brand, it has to cover up costs such as sales promotion and advertising. And it also competes against the supermarket own brand beef.

Supermarket's food standards are slightly based on international ones. Their main concern, however, is setting the extrinsic cues such as colour, cleanness, and tenderness, among others. But safety and environmental issues are also considered on the guidelines made by the three transnational retail groups (H, J and F). Common practices of all supermarkets own brand scheme is the existence of a professional (most cases, a vet) responsible for monitoring the beef production, visiting farms, at least, three times per year. For the beef producer, scheme guideline sets standards on the following issues: pastures, water management, labour, facilities, fences, weighing and cattle transport. Supermarkets exercise executive governance throughout the chain and stimulate integration of all links.

Producers are willing to join supermarkets own brand scheme because they trust supermarket's reputation. As most of them are also consumers on these supermarkets, they are perceived as wealthy and trustworthiness. This is a contrast of the general perception over processors. One beef producer that supplies a supermarket's own brand chain says that

scheme did not mean extra costs because his breed is genetically adequate to the main standards. For him, the main change was to adopt the sustainable environmental requirements. Both supermarket and producer agreed on a time to make all the necessary changes such as erosion control, maintenance of green areas and wild life, pasture rotation and so on. The owner of this property emphasises the advantages of being part of this scheme as “*the professionalism of the supermarket chain and the assistance on management issues*”. The bigger amount of information given by the supermarket allows a better knowledge of the whole business. Supermarkets also look stable and honest to the beef producers and, some of them, declared of being proud of being part of their chains. Likewise, processors also trust supermarkets’ reputation however they complain about the tight margins and the little bargain power. The own brand supply chain creates interdependence between the links. This can be paradoxical and, in that over time, retailers become more reliant on their suppliers who become the providers of brand integrity and have the capacity to innovate and add value.

## 6 DISCUSSION

Beef producers affirm to prefer selling to supermarket because they trust that they will receive a fair payment. In addition, the tangibility of the supermarkets facilities is important for the producer. Usually, he is not only a supplier but also a consumer of the supermarket. On the other hand, importers are global sourcers and have the reputation of purchasing from cheapest possible price. The international wholesalers, on the other hand, face cultural barriers. There is little understanding of the difference of domestic and the EU market, for example. During the interviews, beef processors showed little satisfaction about their participation on the decision making on both channels.

Findings point out the role of export and supermarket food standards for the supply chain organisation. While export standards are compulsory and there is no transfer of learning through the chain, supermarkets have their own brand, setting their own standards, that can be similar to the international ones, but with local adaptation. The export standards drive to judicial governance and supermarket standards require executive governance. The existence of trust or mistrust could be detected through the speeches of the interviewees. This study split trust in two different kind: cognitive and affective; and in different levels: characteristic based, process based and institutional based. Cognitive trust is more common and shows the formation of alliances as a strategy of business survival or expansion.

Due to cultural differences, distance and bad experiences, importers are not considerable completely trustworthy because they do not own facilities in the country.

Affective trust associated to cognitive is leading processors to promote horizontal alliances (Brazilian beef and Southern Brazilian beef). The level of trust is based on characteristics or process. Institutional trust is still incipient in Brazilian business environment. Tradition and past habits are strong factors to transactions practices, especially to those processors and producers located on rural areas. These findings suggest that market efficiency could be improved by setting up supportive institutions to reduce opportunism and favour more trusting business practices. Institutional safeguards could change the lack of trust or, the assumption of opportunism. The compliance with export standards (specially process) and transnational retailers affects chains calling for “business” oriented behaviour to survive. The cases suggest that standards appear as the main drivers of these changes. Supermarkets are also supplying new products, trying to added value to products. They transfer knowledge establishing a guideline to beef producers and processors, exercising executive governance. On the other hand, they squeeze out the market margins.

It is interesting to note that the **increasing of trust within the chains is due to the executive governance exercised by the supermarket**, which looks trustworthy for the two other members analysed, beef processor and beef producer. Retailers suffer the pressure of international competitors and differentiated products and are co-ordinating its chain to respond to it. Both marketing channels are characterised as buyer driven chains. Different agents in different forms exercise governance. Export chains rely on MAPA’s legislative governance setting and monitoring the compliance with international standards. Supermarkets chain are governed by supermarkets and built over the full compliance with private standards. Findings suggest that supermarkets are the governors that stimulate the creation of cognitive based trust process (reputation, brand).

## 7 CONCLUSIONS

The Brazilian beef chain has been increasingly responding to complex and strict food standards. Export chain is supported by public sector and there is no problem for beef exporters to adapt to food controls. However, there are little product differentiation and benefits transmitted throughout the chain. On the other hand, supermarkets are leading the changes within the domestic market. They are trying to differentiate their products through the establishment, implementation and monitoring of standards to their suppliers. Their executive governance is, in a way, replacing the Brazilian domestic food control. The country’s focuses on agricultural products export lead to the constant upgrade of export-driven products food control systems.

Export chains are less likely to develop trust. An explanation is that, while supermarket standards require an institutional trust, export standards are compulsory. Then, agents do not realise the need of development of trust to comply with standards though results show that all chains are able to comply. The compliance can be easily obtained within a trustworthy chain (NORTHEN and HENSON, 1999) but it is true that those without have also been complying with food standards. Different levels and kinds of trust were found in these chains. Export chains have the first set of relations featured as cognitive trust based on institutional and process within processor and importers. The other relationship, between producer and processor, when there is trust because of locational proximity, it is affective and based on characteristic. Supermarkets are also buyer driven chains with cognitive trust based on process. The trustworthiness throughout the whole chain relies on the governor's reputation. In sum, there are different ways to develop relationships. Cognitive trust can may never develop to affect based trust but still the relationship can be fruitful. But the creation of trust is fundamental for the development of alliances and partnerships. Those opportunistic agents have to change their behaviour and act honestly to be able to be trustee. To sustain international competitiveness, an agent must exercise the executive governance. This role can be played by an internal agent (codes of practices e.g. supermarket own brand), but, preferably, by an external agent for legislative and enforcement mechanisms (governmental) supported by reputation.

This study has the limitations of assessing a small number of case studies and using basically qualitative data. The results of the study are descriptive and exploratory and it is suggested further research to verify if production of trust happens in the same direction in same or other sectors in other countries. New studies could test correlations between independent variables (e.g. trust) and dependent variable (kind of governance).

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