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Farmers Market Integration: the Importance of Trust Perception and Competence Signals

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Abstract

Agriculture development and exports of agricultural products would benefit by increased competitiveness by means of improved product quality and reduced uncertainty along the value chain.

The dairy sector in Tunisia is exclusively dominated by informal distribution channels with failure in delivering quality milk. Formal marketing channels are seen as a means to create value and contribute to the development of the agricultural sector.

The main objective underlining this study is to investigate the factors that might affect dairy farmers' market decisions regarding the selection of milk marketing channels and to consider trust perception as key to shaping breeders' decision and behaviour in the local economy.

The data used in this study were collected from a random sample of 45 smallholder breeders in northern Tunisia. Multinomial logit model was used to estimate the impacts of trust variables on the dependent variable; selection of milk marketing channel). The empirical results indicated that four factors: trust perception, herd size, regular communication, price setting and regular communication, are major predictors influencing milk producers to choose formal channels.

The results also show that farmers who are able to appreciate the signals of competence are in a position to better judge and trust their partners and therefore chose formal channels rather than the informal one. This leads to the conclusion that there exist an association between trust perception, competence and credibility signals and the choice of formal channels.

The implications of these results are the following: collection centres shall develop trust, competence and credibility signals. This will create an enabling environment to develop the sector and integrate farmers in the value chain.

Keywords: Competence and credibility signals, farmers market integration, formal marketing channel choice ,appreciation, trust perception