

Asymmetric Information in Agriculture Supply Chains - A Current View of the Agri-Supply Chain and the Appearance of Asymmetric Information in Value Chains Considering the Principal-Agent Theorem

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Abstract

Food markets have been in a state of upheaval for some time now. Due to the current trend of numerous consumers favouring sustainable nutrition, the organic food market has proven to get an important market for consumers and producers as well. This development enables consumers to afford sustainable food in future. Due to the complexity and non-transparency of value chains, especially in the organic food market, as well as the insufficient labelling of organic food, a lack of information arise in the organic food market. This often results in market failure.

The aim of this research is to understand the problem caused by asymmetric information in the food supply chain and to present the principal-agent theorem for detecting and describing asymmetric information as an economic model for understanding asymmetric information in the food supply chain. Thus, the principal-agent theorem is most frequently used to explain and describe asymmetric information. The shortcoming of principal-agent theorem is justified by not including models of neighbouring disciplines, such as transaction theory and game theory. Furthermore, the theorem assumes an informed agent and an uninformed principal. Finally, the analysis of information asymmetry is based on a pair of principal and agent and neglects the information asymmetries in multi-level network-value chains.

This paper presents a structured literature review in order to present an overview of the current literature on the subject of asymmetric information in multi-level network-value chains. The identified studies are classified and gaps for future research are presented.

Keywords: Agri-Supply Chain; Asymmetric information; Labelling; Principal-Agent Theorem; Organic Food