Chapter 5

Effective Supply Chain Management Strategy for Food Products: An Insight to Linked Partnerships

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ABSTRACT

This paper explores and extends the supply chain management strategy for food products effectively and efficiently through analysis of insights to linked partnerships within the supply chain due to the possibility of a global food crisis. The required solution is a collaboration of all parties in the supply chain since an effective supply chain management strategy (ESCMS) for food products is through proper insight between linked partnerships, including customer satisfaction through service quality, well-defined requirements and expectations, effective and clear communication, mutual relationship management, and close relationships from partnerships. ESCMS for food products must have the strategy of supply-to-stock and supply-to-order (efficient and responsive), effective collaboration within the supply chain, well-defined expectations and requirements, effective communication and information flow, mutual relationship management, and close relationships as partners. This insight of linked partnership throughout the supply chain would contribute by reducing and solving problems such as over supply, inconsistency of price (high and low), global food supply, and the conflict among partnerships, including an increase in the consistency of farmers’ careers.

INTRODUCTION

Everyone agrees that the world’s population will exceed 8 billion people by 2025 and mostly in developing countries (Eicher & Staatz, 1998). With population growth, and income growth, even modest income growth in developing countries by 2025, the demand for food consumption will be increased. This will cause a food shortage crisis at that time, if effective and efficient management and preparation steps are not implemented. Meanwhile, we have so worry about the population growth for more than 8 billion in 2025. There is an indication of an impending food crisis occurring.

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based on signals from 2008 of uncertain price and supplies of rice.

Rising food prices and dwindling global stocks have put many governments in developing Asia and the Pacific under enormous pressure to put food on the table of the most vulnerable and poor in their countries. Over a billion people in the region are seriously affected by the food price surge, as food expenditure accounts for 60% of the average total expenditure basket. Food and energy together account for more than 75% of total spending of the poor in the region. In addition, underinvestment in agriculture has led to stagnating food-grain yields and slow development of high-yielding and pest-resistant varieties. Incentives for farmers have been distorted by interventionist policies, and change in land-use patterns in developing economies has led to loss in agricultural land. Higher disposable incomes in rapidly developing Asian economies and a shift to greater meat-based protein consumption have led to greater demand for food and feed grains in the region (Kuroda, 2008).

Furthermore, Vietnam and India, the major rice exporting countries, have reduced their exports of rice to global markets in order to preserve and ensure domestic consumption (Khor, 2008). Moreover, looking at the supply-demand dynamics, the era of cheap food is over. And this has serious implications for developing Asia. High food prices will undermine the gains in poverty reduction in Asia and make it difficult to attain the Millennium Development Goals of halving extreme poverty by 2015. The situation is serious, and governments have responded with subsidies, imposed price controls and caps on exports to offer immediate short-term relief. While the domestic imperatives to do so are understandable, we feel these measures are likely to be counterproductive and prolong vitality (Kuroda, 2008).

The rice price in Thailand which is the world’s biggest rice exporter still stays high (Reuters, 2009). It is responsive to the severity of the food crisis and the need for prompt action, the World Bank Group set up the Global Food Crisis Response Program (GFRP) in May 2008 to provide immediate relief to countries hard hit by food high prices. Most of them are so worried about the crisis and need to have the security (World Bank Online, 2009). Soaring prices have been blamed on lower agricultural production, weather shocks, more meat consumption, and shifts to biofuel crops as follows. 1) Wheat prices are up 120%. 2) Rice prices are up 75%. 3) Poor families spending up to 80% of their budget on food (World Bank online, 2008). The incomes from rising the price are not equal the poor reduction (Ivanic & Martin, 2008). In many poor countries, the recent increase in prices of staple food raise the real incomes of those selling food, many of whom are relatively poor.

According to Kevin Cleaver, Director Agriculture and Rural Development, World Bank have said that “About 60% of the extra food to meet the increasing demand will come from irrigated agriculture. At the same time, we face the challenges of increasing farmer incomes, reducing rural poverty and protecting the environment, all from an increasingly constrained water resources base (World Bank Online, 2006). Furthermore, In the World Bank’s new report “Reengaging in Agricultural Water Management: Challenges and Options” indicated that by the year 2030 food demand will double as world population increases by an additional two billion people. The increase in food demand will come mostly from developing countries (The World Bank, 2006).

A continuous rapid rising in price and reduced stock of the global rice supply, has caused food riots in many countries, including some in Asia. Policy makers are scrambling to know the causes and find solutions (Khor, 2008). Therefore, it is important to study and find out the solution of the food crisis from uncertain price and stock by understanding demand and supply within the supply chain. The purpose of this study is to
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