

Marketing Channels And The Role Of Market Functionaries In Grain Marketing

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INTRODUCTION

Commercialisation of agriculture sector is necessary to develop important relationship between producer farmers and market functionaries. The relationship between them is most important for the efficient functioning of the market that helps for the judicious allocation of limited resources. Further, it is the efficiency and the effectiveness of the marketing system that help to enhance the agricultural productivity (Hasan 1976). Therefore, the market signals are indispensable for the farmers in the decision making process. If the farmers feel that they get returns from their investment, they will certainly shift their farming system according to the market demand, *ceteris paribus*. On the other, if they produce and supply commodities according to market demand, the functionaries will certainly benefit by handling these commodities. The success of the efforts of both producers and traders is reflected in the cash returns to them. It depends upon the effective marketing organisation that helps to bridge the gap between producers and consumers through market functionaries (Kulkarni 1964, Amarchand and Vardarajan 1979).

The market functionaries are important elements for the transfer of ownership from the producers to the final consumers. They increase the form, time and place utility of the products. Moreover, they also provide various services such as buying, classifying, sorting and labelling of the produce. In addition, processing and manufacturing services are also provided by some. Nonetheless, they also perform the useful function of moving the products from surplus to deficit areas and making it available during the off-season period (Rahman et al. 1991). These market functionaries also help in placing the goods into the hands of the consumers at the right time and at the right place and at as economical prices as

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possible (Kulkarni 1964). Since market functionaries are specialised in carrying out the transfer of title between producers and consumers, Amarchand and Vardharajan (1979) concluded that they can perform the marketing functions more economically than the manufactures. Therefore, proper functioning of the marketing system depends on the efficiency of these middlemen/market functionaries who take charge of various stage of the marketing organisation (Gupta 1973, Sujatha et al. 1988).

Despite playing such important roles, the general perception is that the farmers are not getting proper incentives on the one hand, and proper marketing had not been developed on the other. Market functionaries are perceived with suspicion and contempt. Their role as well as margin also misunderstood. They are often blamed that they enjoy too large profit, disproportionate to the services rendered by them (Kulkarni 1964, Rahman et al. 1991). Further, the presence of many middlemen is regarded as inefficient because the middlemen have the ability to exercise control over supply and, hence, over the price. Kim (1989) argues that these are misleading and misunderstood, wrong perceptions of marketing and market functionaries.

Nonetheless, market functionaries/middlemen/traders are regarded as exploiters who harvest the lion's share of prices paid by the consumers thus depriving the farmers of remunerative price for their produce (Rahman et al. 1991). Nepal is not an exception in considering the marketing system as a parasitic subordinate function. The services of the intermediaries are perceived with suspicion and contempt as in other developing countries (Rahman et al. 1991). In this regard, surprise checking of godowns of traders were done by the government in various parts of the country in order to ascertain whether traders were holding foodgrain in stock to manipulate supplies and prices in the market. However, the result was only a partial success, though need to control the exploitation of producer farmers and consumers by the middlemen to make the market more efficient was felt by the government.

In Nepal, though the agricultural marketing system is in the hands of private traders and businessman, the Agricultural Cooperatives and the Nepal Food Corporation are involved in foodgrain marketing. But the role of cooperatives and NFC is very limited in terms of quantity handled at the primary level. In the present context, as in other sectors, there is a growing realisation about the private sector participation in market development

elsewhere. Therefore, as the situation that already exists could be a conducive environment for the development of the agricultural sector in the present context, this paper aims to describe the roles of market functionaries as assessed by the producer farmers with reference to the services received from these functionaries. Considering these facts this paper aims to highlight: the existing grain marketing channels and market functionaries; the producer's awareness of the existing market functionaries; the producer's view of the preferences of the market functionaries; and producer's view of the roles of market functionaries preferred by them.

METHODOLOGY

A household survey was conducted in the summer months of 1993 in order to assess the role of market functionaries in grain marketing in the western Chitwan valley, Nepal. Discussion was also held with both key producer farmers and the market functionaries to identify the existing marketing channels and specific market functionaries. The study site was first divided into three strata, namely, close distance, Narayangarh/Bharatpur, medium distance, Gitanagar, and far distance, Patihani, on the basis of relative distance from the largest market centre, Narayangarh / Bharatpur, in Chitwan. Three important major crops, paddy, wheat and mustard were selected for the study purpose.

From these aforementioned strata, Bharatpur Municipality, Gitanagar and Patihani village development committee (VDC) areas were purposively selected. Further, from each of these three units, two wards from each were selected purposively as specific units. Altogether 172 randomly identified producer farmers were interviewed with the help of a set of scientifically structured and standardised questionnaire to collect information regarding the level of awareness of the market functionaries, level of preferences, and the type of services provided by the market functionaries to the producer farmers.

The analysis was performed by using SPSS-x, a computer package. For further analysis, the respondents were classified into three different farm size categories by distance from the largest market centre. The farm size categories used in the analysis are; (a) small farmers having land less than 1.5 *bighas* (1 hectare), (b) medium farmers having land in between 1.5 *bigha* to 3.75 *bighas* (1-2.5 hectares), and (c) large farmers having more

thatn 3.75 *bighas* of land (more than 2.5 hectares). A three point priority scale was used to measure the level of preference fixed to each market functionaries and then priority index was calculated using following formula borrowed from Miah (1993).

$$\text{Priority Index} = [(Mf*1.00 + SF*0.66 + TP*0.33)]/N$$

Where, MF = number of respondents responding first priority or most preferred (weightage 1.00), SF = number of respondents responding second priority or second preferred (weightage 0.66), TP = number of respondents responding third priority or preferred (weightage 0.33), and N = total number of respondents.

FINDINGS

Existing Marketing Channels For Paddy, Wheat, And Mustard

The existing marketing channels operating for paddy, wheat, and mustard marketing are depicted in fig. 1, fig. 2, and fig. 3, respectively. Individual marketing functionaries are discussed under the two broad categories; institutional; and private.

Figure 1
Paddy Marketing Channels In Chitwan Valley

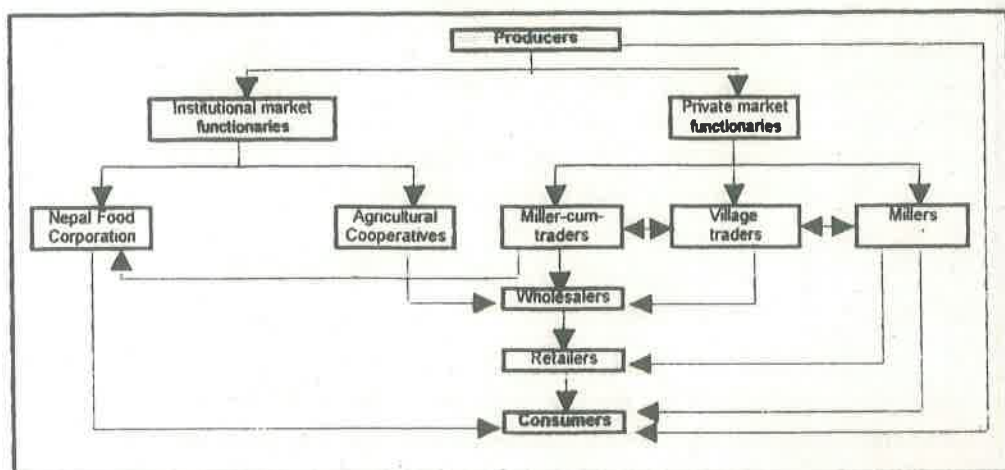


Figure 2
Wheat Marketing Channels In Chitwan Valley

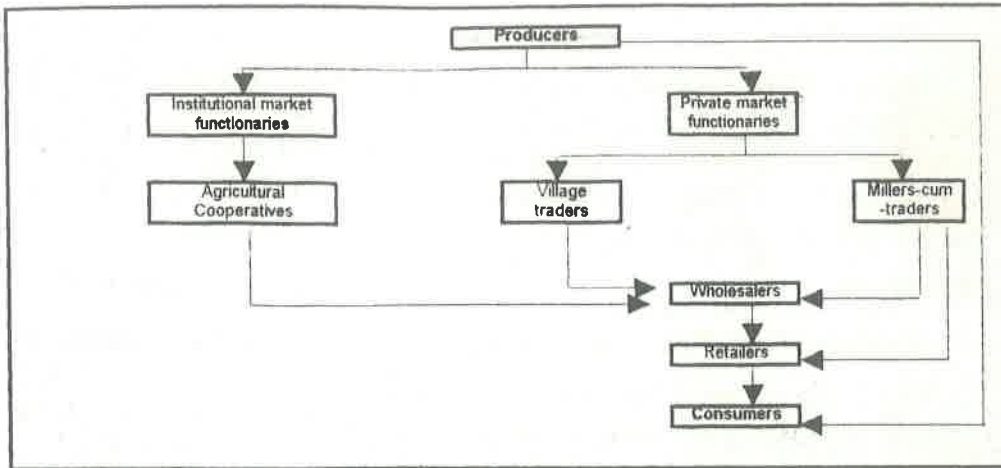
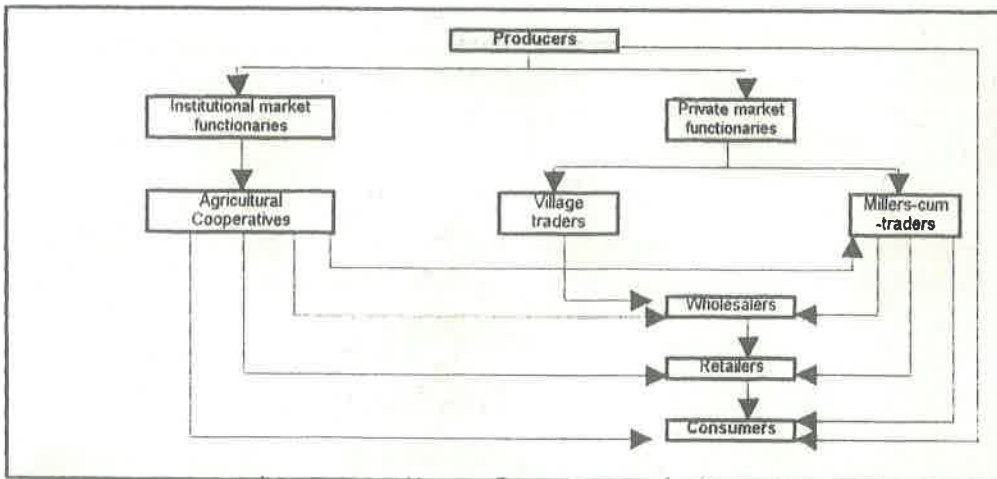


Figure 3
Mustard Marketing Channels In Chitwan Valley



Institutional Market Functionaries

The Nepal Food Corporation and the Agricultural Cooperatives are the institutional agencies involved in grain marketing. However, the role of institutional agencies in grain marketing is very limited in Chitwan valley. The Agricultural Cooperatives are established at the village level. Although their main purpose is to provide inputs, production credits and daily necessities at reasonable prices, some of them are also involved in grain marketing. They purchase commodities such as paddy, maize, wheat and mustard directly from the farmers, store and sell them. However, the volume handled is very limited (Bhandari 1993). The marketing activities of the Nepal Food Corporation are limited to the secondary and terminal market levels which generally procure rice and other grains from the large traders, millers and exporters.

Private Market Functionaries

The grain marketing was found dominated by private market functionaries. These included all the functionaries, except for the institutional agencies, and are collectors village level traders, wholesalers, millers, miller-cum-wholesalers, retailers and itinerant traders. Marketing channels varied according to the commodity traded. However, the specific functionaries were common to all the crops and are discussed below.

The collectors or village level traders collect commodities directly from the farmers. They are the most important outlets for the producer sellers. They assemble the produce and sell to the large market centre or anywhere else.

Wholesalers handle commodities in bulk and therefore, are found concentrated in the large market centre. This has been because of the low volume of marketable surplus to be handled in the far distance area. They especially purchase grains from the rural based collectors and other middlemen and only a negligible quantity is purchased directly from the farmers.

Small-scale shellers and a few hullers are established in different parts of the study area. Mostly, they provide only processing facilities. However, some of them act both as processors and traders. The large-scale miller-cum-traders are located at the large market centre. These market

functionaries purchase directly from the farmers, assemblers, cooperatives and wholesalers, process them and sell to the retailers.

The retailers purchase small volume of produce. They handle limited volume and perform especially the act of selling of various commodities. Usually they purchase commodities from the wholesalers or the millers and sell to the consumers in small quantity. Very few itinerant traders are reported to be working in the area. They are seasonal in nature and operate in relatively inaccessible areas. They specially collect mustard and *sesame* as reported in group discussions.

Producer Awareness of the Market Functionaries

Producer's awareness of the market functionaries is assessed with the intention to study their understanding of the various market alternatives of their produce. The study findings reveal that most of the farmers/producers are aware of the involvement of various types of market functionaries. The collectors millers and cooperatives are the most common and majority of the farmers are aware of them (Table 1). In total, about 91 percent of the farmers are aware of the collectors and millers operating in their locality, followed by cooperatives, 87 percent. Their awareness about the Nepal Food Corporation is 6 percent and itinerant traders is 9 percent which are very low. Despite their awareness, some of the farmers however, did not respond regarding other functionaries such as the itinerant traders and the Nepal Food Corporation. It has been mainly because they were either not available or they were not collecting grains directly from the farmers.

By location, medium distance farmers are found more aware, 98 percent each, of the collectors and millers, It has been because of more market participation of the farmers in this area (Bhandari 1993a). However, lowest, 85 percent each reported is in far distance area. Since, both wholesalers and Nepal Food Corporation are operating in near of large market centre, relatively more farmers are found aware of them. Similarly, by farm size, small farmers have lower proportion of those aware as compared to medium and large farmers. Despite irrespective of the size of holding, collectors and millers were the most commonly known to the farmers. However, relative proportion of small farmers those aware with retailers is higher than the others. It has been because of small marketed surplus which is purchased by the retailers.

Table 1
Producer Awareness Of The Market Functionaries By Distance
And Farm Size In Chitwan 1993

Market Functionaries	Distance			Farm Size			Total (n=172)
	Close (n=85)	Medium (n=40)	Far (n=47)	Small (n=47)	Medim (n=97)	Large (n=27)	
Collectors	77(91)	39(98)	40(85)	82(85)	48(100)	27(96)	156(91)
Millers	77(92)	39(98)	40(85)	84(87)	48(100)	25(93)	156(91)
Cooperatives	76(89)	38(95)	35(75)	77(79)	46(96)	26(96)	149(87)
Retailers	48(57)	2(05)	25(38)	50(52)	20(42)	5(19)	75(44)
Wholesalers	31(37)	7(18)	7(15)	27(28)	14(19)	4(15)	45(26)
Itinerant traders	8(09)	3(8)	4(09)	8(08)	6(13)	1(04)	15(09)
Nepal Food Corporation	9(11)	1(2)	1(02)	6(06)	2(04)	3(11)	11(06)

Source : Field Survey by The Author 1993.

Note: Figures in Parentheses Indicate Percentages of The Number of Respondents in The Respective Columns.

The producers were asked to prioritise different functionaries to whom they most prefer. The ranks provided were most favoured I, favoured II, least favoured III, and no ranking IV. Based on the index, among all types of functionaries, collectors are the ones most favoured by the producers, followed by millers and cooperatives. (Table 2). In contrast, itinerant traders, wholesalers, and retailers are the less favoured ones with very low preference index. These information can be related with the awareness level and concluded that most known functionaries are the most preferred ones.

Table 2
Priority Index For Market Functionaries In Chitwan 1993

Market Functionaries	Ranks			Total Respondents	Priority Index	Rank
	I	II	III			
	(1.00)	(0.66)	(0.33)			
Collectors	104	29	8	172	0.73	I
Millers	21	42	53	172	0.39	II
Cooperatives	12	49	47	172	0.35	III
Retailers	16	14	17	172	0.21	IV
Wholesalers	5	8	2	172	0.06	V
Itinerant Traders	2	1f	-	172	0.01	VI

Source: Field Survey by The Author 1993.

The Role Of Market Functionaries In Grain Marketing

Hasan (1976) reported that marketing services such as transportation facilities, urban to market roads, storage and processing facilities and others influence the efficiency of the marketing system. Therefore, in this study, farmers were asked to mention various services rendered by the most preferred market functionaries to them while marketing the grains. The important services provided by the market functionaries to the producer sellers were identified as: provision of credit facilities, offering of higher prices, provision of transportation facilities provision of bags, grading facilities, and storage facilities (Table 3).

Table 3
Responses On Service Facilities Provided By Collectors Or Village Traders In Chitwan 1993

Services/Facilities	Location			Farm size			Total Respondent
	Close	Medium	Distant	Small	Medium	Large	
Credit	26 (31)	33(83)	13(28)	31(32)	29(60)	12(44)	72(42)
Higher price	45(53)	6(15)	16(34)	33(34)	17(35)	17(63)	67(39)
Transportation	29(34)	30(75)	7(15)	29(30)	26(54)	11(41)	66(38)
Bags	22(26)	28(70)	-	23(24)	21(44)	6(22)	50(24)
Grading	9(11)	1(03)	1(02)	7(07)	4(08)	-	11(06)
Storage	6(07)	-	5(11)	3(03)	2(04)	3(11)	8(05)
Total	85(100)	40(100)	47(100)	97(100)	48(100)	27(100)	172(100)

Source: Field Survey by The Authors 1993.

Note: Figures in Parentheses Indicate Percentages of the Column Total.

The Table 3 reveals that collectors and village level traders provided most of these facilities as compared to the others hence they received commodities from the farmers (Annexure 1). This has been the reason behind offering first priority to them by the producer farmers. In general, relative to other services, credit, an important need of farmers, is made available by the them. However, the interest rate charged is higher, 24-36 percent per year than that of formal institutions for long-term, but it is nil for short-term credits. Besides, offering of higher prices has been for 39 percent, provision of transportation was provided for 38 percent, and provision of bags was made to 29 percent, followed by grading facility to six percent and storage facilities to five percent.

By location, most farmers at the medium distance market centre responded to the provision of credit, 83 percent, transportation facility, 75 percent and offering of jute bags 70 percent, whereas more farmers close to the biggest market centre responded to the offering of higher prices, 53 percent, followed by the provision of transportation facility, 34 percent, credit provision, 31 percent, and provision of bags, 26 percent. In the far distance area, although responses were few as compared to others, the offering of higher prices, 34 percent, and credit provision 28 percent, are reported as important services. At the close distance as well as far distance market centres, some of the collectors or village traders offered some storage facility too.

By size of farm, the responses from the small farmers are fewer which have been because of low marketable volume and, thus, low level of contact due to the absence of offering of higher prices, provision of credit and provision of transportation facilities. Similarly, more large farmers responded to the offering of higher prices, 63 percent. In contrast, more medium farmers responded to provision of credit, 60 percent, and transportation facilities, 54 percent, followed by provision of jute bags, 44 percent.

Such role of traders at village level can be substantiated by the fact that among all the paddy sellers, slightly over 85 percent, sell their commodity to the village level traders or collectors (Annexure 1). Similarly, about 55 percent of the wheat sellers and 68 percent of the mustard sellers sell their produce to them. By location and farm size categories, most preferred functionaries are the collectors or village traders. The reason behind selling produce to them is the availability of credit in advance, cash

payment, offering of higher prices and confidence in them (Table 2 and Table 3). However, only few of them mentioned friendship, convenience, or immediate cash payment.

Second priority is given to the millers. Although very few producers identified them, the provision of credit and offering of higher prices are the major reasons. They also provide bags, transportation and grading facilities to some extent. The few responses reflect the low level of interaction with the millers.

The third priority given to the cooperatives is mainly because they offer relatively higher prices than the rest of the functionaries, followed by provision of credit. Other facilities such as grading and provision of bags are reported by very few. Recently, they are not providing credit facilities to the farmers. During group discussion, medium and far distance farmers expressed their views that although the price fixed is higher than the market price, the volume purchased by them is very small. Furthermore, they purchase only from the debtors to clear the credit. However, the cooperative staff reported that they purchase it from all farmers whoever bring any for sale. Yet, they are compelled to buy commodities from their debtors mainly because of cash constraints. For the debtors, the price fixed range between 10 and 20 NRs or higher per quintal of paddy than those offered by others. Other functionaries such as retailers and wholesalers are also providing such facilities to some extent. But the responses were very few, which have been due to low volume of transactions made directly with farmers.

CONCLUSION

Both private and institutional marketing channels are involved in handling farm produce. Among all, private traders are the popular grain market functionaries. Many producers are aware of their alternative market functionaries such as village level traders, millers, cooperatives, wholesalers, and retailers. However, their awareness and first preference is attached to the village level traders which are mostly operating at the farm level. Second preference is given to the millers. The preference attached to these functionaries is because of provision of relatively more marketing facilities such as: credit; relatively higher prices; transportation; jute bags; grading and storage as compared with the others. Besides, the farmers also have third preference to the village level cooperatives which are also

operating in the area. It is because of their own resource limitations, specially of financing. They can not purchase large volume of produce from the producers in the price which is relatively higher than the price fixed by the others. In this context growing realisation for private participation, producer oriented policies alone cannot help to uplift the economic base of the producer farmers. Therefore, formulation and implementation of market oriented policies in integration with the producer oriented policies could enhance agricultural development in general and socio-economic betterment of the producers in particular. In this regard, to make special efforts towards integrating these policies and facilitating private traders in order to provide essential marketing services as effectively and efficiently as possible is timely needed so that producer farmers would benefit from such considerations and investment in agricultural marketing would be an appropriate way of channeling resources and providing indirect incentives rather than direct investment in agriculture alone.

ANNEXURE 1

Proportions Of Producer-sellers Selling To Different Market Functionaries In Chitwan 1993

Market Functionaries	Crops		
	Paddy	Wheat	Mustard
Collectors / Village Traders	76 (85)	21 (55)	38 (68)
Wholesalers	02 (02)	01 (02)	03 (07)
Cooperatives	-	02 (05)	10 (18)
Millers	07 (08)	02 (05)	02 (03)
Retailers	04 (06)	12 (32)	02 (03)
Total	89 (100)	38 (100)	55 (100)

Source: Field Survey by The Author 1993.

Figures in Parentheses Indicate Percentages of The Total Producer Sellers.

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