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Middleman Growth In Agricultural Field And Its Impact On Farmers

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Abstract:

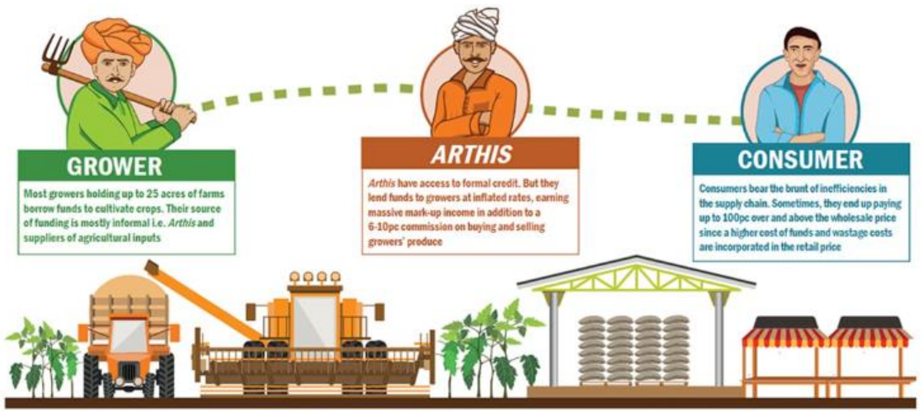
Agriculture is the art and science of cultivating the soil, growing crops and raising livestock. It includes the preparation of plant and animal products for people to use and their distribution to markets. Agriculture provides most of the world's food and fabrics. Despite implementing plans to increase farmers' incomes, the government fails to bring profits to farmers as middlemen take a significant portion of their profits. Intermediaries specialize in performing essential activities in the buying and selling of goods on their way from farm to final consumer. They usually don't produce anything, but they have extensive knowledge of the market, so they charge commission for their services. It is a common belief that middlemen are responsible for the low share of farmers in the consumer's revenue, and they are accused of exploiting farmers. Many people suggest that the government should eliminate or minimize the role of middlemen in the marketing chain to increase the welfare of both consumers and producers. However, the role of middlemen as a link between producers and consumers is complex and requires a thorough analysis before drawing any conclusions. They mostly operate in markets and facilitate coordination between producers and consumers under different terms and conditions. In our country, village dealers, pre-harvest contractors (in fruits), commission men, brokers, wholesalers, retailers, etc. are all a part of this group.

Key Words: Agriculture, Middleman, Government, Consumer, Retailer

Introduction

The process of creating a distribution channel for agricultural produce, from producer to consumer, has not been fully explained, especially in developing countries. The productivity of a marketing system in any country is measured by the amount of usefulness it adds to agricultural products, which economists refer to as "utility". The purpose of marketing is to add utility, value and desirability to a product, which is related to its form, place, time, and possession. Middlemen are individuals or institutions that specialize in performing various marketing functions involved in the purchase and sale of goods as they move from producers to consumers. During this process, middlemen should add "utility" in the marketing system to increase the overall value of the products being sold. Middlemen provide a range of services, but their role is often seen as exploitative due to the perceived high margins they receive. However, the middlemen's share is usually justified by the additional services and risks they undertake at each stage of the marketing process. The marketing margins earned by middlemen can be broken down into two components: explicit costs and profits. Explicit costs include all the costs incurred by middlemen in carrying out marketing activities, while profits refer to the income earned by them, in addition to their costs. Agricultural marketing today involves more than just linking producers with consumers. It also includes creating a conducive economic environment for farmers to inspire them to increase their yield and earn more from transactions. Various alternative forms of marketing, such as group marketing, contract marketing, futures trading, and direct marketing, enable producers to maximize their earnings and deliver quality produce to consumers at an affordable price. Agricultural produce markets serve as nerve centres from where marketing impulses are transmitted, putting all marketing systems on track and safeguarding the interests of both farmers and consumers.

A MIDDLEMAN?



A middleman plays the role of an intermediary in a distribution or transaction chain who facilitates interaction between the involved parties. Middlemen can be classified into two categories, namely, merchants and agents. While merchants buy and re-sell their goods, agents specialize in negotiations of selling or buying transactions.

Role of Middlemen in Distribution with Special Emphasis on the Kalaburagi

Researchers and policymakers in Kalaburagi have long been concerned about the presence of a lengthy chain of middlemen in the market. One particular reason for this concern is the uncertainty surrounding the raison d'être of these middlemen. To shed some light on this issue, we analyzed it using the Transaction Cost Theory. This theory suggests that there are two primary transaction costs that contribute to the lengthening of distribution channels. The first is the diversification of risks, which is caused by natural factors such as weather and is spread among distributors. The second is the cost of distribution, which includes collection, transportation, and information. When the division or specialization of labour reduces these transaction costs, the distribution channel becomes longer. In regions dominated by small-scale farming, where middlemen perform all the collecting and grading work, the distribution channel is likely to be longer. This paper aims to investigate to what extent these factors are contributing to the length of the distribution channel.

Major Distribution Channel

We analyzed the current distribution channels and the involvement of each intermediary. Our observation revealed that the longest channel, which included the Kalaburagi region between the producer and consumer, was the most significant channel in terms of the distributed quantity. More than 80% of the marketed quantity of onions and bananas by the farmers was channelled through urban retail markets in the Kalaburagi region. Out of this, 63% of onions and 72% of bananas were distributed through the Aland and Chincholli areas. The Kalaburagi region contributed 16% of onions and 20% of bananas to this major channel. We also noticed that the Kalaburagi region was one of the primary suppliers to the local retail market.

Marketing Channel of Potato and Banana in Two Selected Areas of Kalaburagi

Commodities	Farmer Disposal (%)			Kalaburagi Disposal			Chincholli Disposal	
	Kalaburagi	Chincholli	Retailer (Local)	Chincholli	Retailer Local	Consumer Local	Urban Retailer Directly	Auction
Onions	65	23	12	20	8	2	18	72
Bananas	62	30	8	16	5	2	10	63

The act of selling to markets has never been without risk, particularly in rural areas where markets are open-air and weather conditions can disrupt transactions. In addition, prices can fluctuate beyond the understanding of farmers, who often attempt to mitigate this type of risk by selling some quantities at farmyards based on their experience. This approach allows them to minimize the impact of price fluctuations on their overall sales.

The traditional marketing system for farm produce has given way to another alternative system that is sometimes more suitable for individual partners in the trade. One reason for the need for this alternative system is to reduce the distribution process. Another reason is to explore the possibility of bringing the market to the farm, by bringing the buyers directly to the production place. The role of middlemen in the marketing of farm produce can be optimized by adopting the following systems:

Direct Marketing: The government should promote the idea of direct marketing in the country by facilitating the farmers with a farmer's market. This will enable them to have direct contact with consumers and receive payment directly from them. Direct marketing aims to shorten the marketing channel, reduce marketing costs, and maximize the farmer's share in the consumer's rupee by communicating with the consumer/buyer directly. It requires minimal infrastructure, an understanding of consumer requirements, and availability of fresh and quality produce within the shortest reach of the consumer.

Cooperative marketing: Cooperative marketing systems can be pursued through cooperative societies. This system is based on the principle of "self-help", meaning that everyone works together for the benefit of all. It helps to reduce marketing costs, enhances bargaining power, and ensures that the proceeds are distributed fairly. The presence of marketing cooperatives makes the market more competitive and ensures better returns for the producer. This system is owned and managed by the farmers themselves for their own economic betterment and to improve marketing efficiency. The basic purpose of Cooperative Marketing is to improve the bargaining power of farmer members, obtain quality inputs, increase profits, establish backward and forward linkages for collective ownership of marketing infrastructure such as cleaning, grading, storage, processing, etc., and facilitate collective distribution and credit accessibility.

Group marketing: It involves joint planning, funding, implementation, pricing, risk sharing and collective bargaining. This approach leads to higher returns and reduced marketing costs. Group marketing is designed to develop entrepreneurial skills, improve bargaining power, reduce risks arising from price uncertainty, and facilitate bulk supply.

Disadvantages of Middlemen

Despite the many advantages that middlemen can offer, some people believe that middlemen do more harm than good and should be eliminated. As goods exchange hands from one middleman to the other, their prices inflate. A higher price is charged at each junction to cover the cost of warehousing, insurance, transportation, advertising, etc. When a profit margin for each middleman is also factored in, consumers ultimately must bear the price of having intermediaries in the channel.

Conclusion:

Although the existing agriculture marketing system may require some changes, it is important to prioritize the provision of training in agricultural marketing operations to farmers, market intermediaries, and market committee staff. By receiving training, farmers can ensure that they receive a fair economic return for their produce and are protected from exploitation by middlemen who may try to under-weigh their produce and pay them less. Furthermore, farmers will become more aware of the economic significance of every bit of their product, and in turn, will make an effort to reduce post-harvest losses. Market intermediaries will also be able to handle and manage the produce properly while providing necessary services to resellers and buyers. Finally, the market committee staff would be able to effectively regulate the markets and ensure fair competition.

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