

MARKETING INTERMEDIARIES

The simplest link between production and consumption is where farmers sell their own produce directly in a market. This is more usual in rural markets, but may also occur at farmers' markets located in urban areas.

The private sector is playing an increasingly active role in most developing countries in providing inputs, agro-processing and marketing services. Thus the linkage between the rural and urban areas is often provided through a network of traders or intermediaries, the costs of their activities being paid for through the marketing margins. The role of these intermediaries may overlap and in less-developed marketing systems their function may be unclear.

The relationships among producers, wholesalers, and retailers play an important role in the marketing of produce. Such linkages can create mutual trust among different functionaries in the marketing system, but may also cause a dependency relationship between parties and make it difficult for newcomers to enter the marketing process. Linkages are often based on village proximity (area based) or on family relationships developed over many years.

Conventional marketing intermediaries

Conventionally, the most common intermediaries are:

- **Petty traders and assemblers**, who are specialized middlemen that purchase produce from farmers at the farmgate or local market, for selling to other traders, wholesalers and retailers. They may use their own transport or hire from a transporter.
- **Independent collectors and commission agents**, who take possession of produce from an individual or group of farmers and then sell the produce to a wholesaler, market trader or other middleman. For providing these services the collector (or commission agent) normally charges a percentage of the final sales price.
- **Market agents**, linked to specific markets who sometimes also act as brokers for wholesalers or as auctioneers at the market.
- **Wholesalers and semi-wholesalers**, located in markets or independent facilities, who may also function as retailers.
- **Retailers**, who buy either directly from farmers, from traders or wholesale markets, and sell the products to consumers through retail outlets.

Other types of marketing intermediaries

Contract arrangements

Sometimes, contracts may be arranged with an organization, such as a food processor or wholesaler, who makes an advance contract with a group of farmers to supply a specified product on a regular basis. The buyer usually provides seed and extension advice, sometimes credit, and also guarantees to procure the produce at harvest at an agreed price. Poultry farmers, for example, may develop a long-term relationship with poultry processing companies, who may provide baby chicks, feed, and medicines. When the broilers are ready for sale, they purchase them from the farmers at the prevailing market price or at a previously agreed price.

Other linkages

Other possibilities for linkages are direct agreements with organizations, such as:

- restaurants and hotel chains;
- cooperatives, particularly for grains and export crops, such as coffee and tea;
- supermarket and Chain stores; and
- institutions, such as schools, army or hospitals.

With these arrangements an individual or group of farmers' make a collective agreement for the supply of produce. Transport would be either organized by the farmers or may be supplied by the buyer.

Group marketing

There is often scope for group marketing of produce to obtain better prices for farmers. for high value vegetables and fruits, especially for export, contract arrangements may be feasible.

Vertical integration

There may be cases where these contract arrangements are extended to create a vertically integrated marketing process. Typically this might apply when farmers' groups enter into contracts with supermarket chains or exporters. The characteristics of such a system might include:

- organization of farmer groups;
- providing extension services and production inputs to the farmer groups, sometimes through NGOs;
- harvesting of crops and pre-sorting at farm level;
- transport from farm to a packing centre;
- final sorting and grading;
- packaging (including film wrapping of high value produce) or processing;
- pre-cooling and temporary storage in packing centre cool store;
- loading onto refrigerated truck from packing centre cool store;
- transport by refrigerated truck from packing centre to supermarket (or export) cool store;
- and
- sale from supermarket display and cooling cabinets.