Roles of Cooperative Movements as Middlemen to Increase the Efficiency of Agricultural Marketing in Malaysia

Syahrin Suhaimee

Economic and Social Science Research Centre
Malaysian Agricultural Research and Development Institute (MARDI), Serdang, MALAYSIA
AGRO-FOOD MARKETING IN MALAYSIA

Main sectors – rice, fruits, vegetables, fisheries and livestock
PADDY AND RICE SUPPLY CHAIN

Imported Rice

BERNAS & Subsidiaries Mills

BERNAS Rice Business

BERNAS & Subsidiaries Wholesalers

BERNAS & Subsidiaries Brands

Non-BERNAS Rice Business

Other Mills

Other Wholesalers

Other Wholesalers Brands

Consumers
**Fish Supply Chain**

- Fisherman
- Middleman
- Wholesaler
- Retailer
- Consumer

*Fisherman’s Market (PNK)*
ISSUES IN AGRO-FOOD MARKETING

- Structural issues
  - Farm size
  - Ownership

- Price volatility
  - Low ex-farm producer price

- Competition
  - Land suitability
  - Foreign labor
  - Forced sales
  - Monopsony power of buyers
  - Grading
  - Intermediaries
IS MIDDLEMEN IN MARKETING NECESSARY?

- Types of middlemen
  - Merchant middlemen
  - Agents middlemen
  - Speculative middlemen
  - Processors and manufacturers
  - Facilitative organizations

- Roles of middlemen
  - Information
  - Price stability
  - Promotion
  - Financing
  - Title
FARMERS ASSOCIATION IN MALAYSIA

- Established under the 1973 Farmers Organization Act – an Institute owned by the farmers
- Registered under 1948 Co-operative Act – operated as “agriculture-based co-operative”
- Regulated under farmers organization constitution and rules
- Provides assistance in farm infrastructures, farm inputs, financial & capital, advisory, technology and marketing
FISHERMEN ASSOCIATION

- Established and incorporated under the 1971 Fisherman’s Organization Act
- Registered under 1948 Co-operative Act – operated as “agriculture-based co-operative”
- Created 8 projects to uplift the economy and social well-being of the fisherman’s community:
  - Supply fresh sea-based products to government
  - Supply diesel and lubricants
  - Produce and supply ice cubes
  - Supply fish as wholesaler
  - Processing and marketing fish-based products
  - Supply fishermen inputs
  - Provide logistic services
  - Provide insurance packages
## Performance of Farmers Organization (PPK) and Fishermen Association (AFA)

<table>
<thead>
<tr>
<th>Year</th>
<th>PPK Members</th>
<th>AFA Members</th>
<th>Trade Value (RM'000) of AFA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>87</td>
<td>99,167</td>
<td>190,680.93</td>
</tr>
<tr>
<td>2012</td>
<td>97,627</td>
<td>100,680</td>
<td>215,790.79</td>
</tr>
<tr>
<td>2013</td>
<td>100,680</td>
<td>102,670</td>
<td>224,384.88</td>
</tr>
<tr>
<td>2014</td>
<td>102,670</td>
<td></td>
<td>227,738.69</td>
</tr>
</tbody>
</table>

### PPK Members Over the Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>276</td>
</tr>
<tr>
<td>2013</td>
<td>276</td>
</tr>
<tr>
<td>2014</td>
<td>277</td>
</tr>
</tbody>
</table>

### AFA Members Over the Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>87</td>
</tr>
<tr>
<td>2012</td>
<td>87</td>
</tr>
<tr>
<td>2013</td>
<td>87</td>
</tr>
<tr>
<td>2014</td>
<td>87</td>
</tr>
</tbody>
</table>
“WAR” AGAINST MANIPULATED MIDDLEMEN PROGRAM

- Introduced by Agriculture Minister in 2014 to ensure fair returns to farmers and fisherman and reasonable price to consumers
- To minimize the role of middlemen by encouraging farmers and fishermen sell their products directly to markets through Farmers Association
- Roles of farmers’ association
  - Manage Agro-Bazaars
  - Established collection centers
... this initiative has shown positive outcome, increasing income of farmers by 8.87%. It has also reduces the price of the agro products in the market...
OBJECTIVES OF THE PROGRAM

- To sustain national agro-food production
- To increase income of farmers and fishermen
- To ensure reasonable price to consumers
- To ensure local food supply and improve balance of trade
- To shorten supply chain tier by establishing current marketing channels
- To reduce dependency on middlemen
INITIATIVES (RICE SECTOR)

- Paddy Collection Centre (PCC) – 32 PCC created under Farmers Association
- Social Emergency Fund for farmers at PCC–RM500 – RM2,000 (USD130 to USD520) per person, 2,112 farmers apply - total fund disbursement: RM3.6mill (USD 947k)
- Extend machinery services by Farmers Association – 30% coverage
- Promote MyGAP – 410 farmers with 1,319 ha accredited
INITIATIVES (FISHERY SECTOR)

- Collection centre and distribution centre – 3,062 fishermen benefited by increasing their income within RM150-RM300 (USD39-78)

- Social Emergency Fund for fishermen – total fund disbursement: RM400,000 (USD105k) by 6 fishermen associations

- Take-over fishermen debt from middlemen with interest-free – 19 fishermen involved for RM150,000 (USD 40 k) debts

- Fisherman market – 49 new fisherman market created, 524 fishermen involved, total sales RM33.7 million (USD 8.8 mill)
INITIATIVES (FISHERY SECTOR) CON’T

- Involve in Farmers Market – 63 fisherman association participated with total sales RM41.2 million (USD10.8 mill)
- Logistics (cold room, transportation, outlet) – 6 cold room, 9 truck, 145 outlets
INITIATIVES (FRUITS AND VEGETABLES SECTOR)

- Farmers Market – 25,607 farmers participated with total sales RM743 million (USD195.5 mill)
- Agrobazaar and KaravanTani – 309 agrobazaar and 140 KaravanTani created, total sales RM216.8 million (USD57 mill)
- Agrobazaar.com – 2,000 members targeted
- Truck service – 841 trucks have been used for marketing
- Canopy tent – 1,000 units distributed
- Collection centre (CC) – 20 existing CC upgraded, 16 new CC developed
- Credit facilities – RM12mill (USD3.2mill) distributed
# Impact of the Program

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Before program</th>
<th>During program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paddy</td>
<td>• Most of service in rice production offered by middlemen.</td>
<td>• Farmer Association started to serve a service with more reasonable fees.</td>
</tr>
<tr>
<td></td>
<td>• Only middlemen purchase rice from farmers</td>
<td>• Rice Collection Center was established by Farmer Association to facilitate farmers in selling rice.</td>
</tr>
<tr>
<td></td>
<td>• Less hands-on training given to farmers.</td>
<td>• Farmers often invited for training.</td>
</tr>
<tr>
<td></td>
<td>• Farmer debt levels to the middlemen are very high.</td>
<td>• Farmers can pay-off their debt with middlemen through funds allocated by the government</td>
</tr>
</tbody>
</table>

## Impact of the Program

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Before program</th>
<th>During program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruits and Vegetable</td>
<td>• Low ex-farm prices of fruit and vegetables offered by middlemen&lt;br&gt;• Few numbers of collection center and located far from farms&lt;br&gt;• Farmers have issues to bring their agricultural product to collection center.</td>
<td>• Prices of fruits and vegetables purchased by FAMA and Farmers Association are more reasonable with the introduction of a floor price&lt;br&gt;• Many of the collection center were established on the site of production area of fruit and vegetable.&lt;br&gt;• FAMA provides more transportation trip and increase the number of trucks</td>
</tr>
</tbody>
</table>
## Impact of the Program

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Before program</th>
<th>During program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fisheries</td>
<td>• High dependency on middlemen due to bad debt</td>
<td>• Financial assistance to fishermen to help them pay off their debt to middlemen</td>
</tr>
<tr>
<td></td>
<td>• Poor jetty condition and need to upgrade</td>
<td>• Most jetties were upgrade for the convenience to the fishermen. Some jetty</td>
</tr>
<tr>
<td></td>
<td>• Not many opportunity or place for fishermen to sell their catch directly to</td>
<td>provides accommodation to fishermen.</td>
</tr>
<tr>
<td></td>
<td>consumers.</td>
<td>• Drastic increasing of fishermen market in many areas.</td>
</tr>
</tbody>
</table>
ISSUE AND CHALLENGES

- Farmers/fishermen dependency on middlemen
  - Bad debts,
  - 24hr availability,
  - Trustiness,
  - Perception
CONCLUSION

- Started in 2014 but it showed some impact
- Complement not competing
- Focus on eliminating manipulated middlemen
- Worth government spending?? Cost benefit analysis
THANK YOU