

Improving Food Marketing Efficiency – The Role of Agricultural Cooperative  
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Food Fertilizers Technology Centre (FFTC)

# **ROLES OF COOPERATIVE MOVEMENTS AS MIDDLEMEN TO INCREASE THE EFFICIENCY OF AGRICULTURAL MARKETING IN MALAYSIA**

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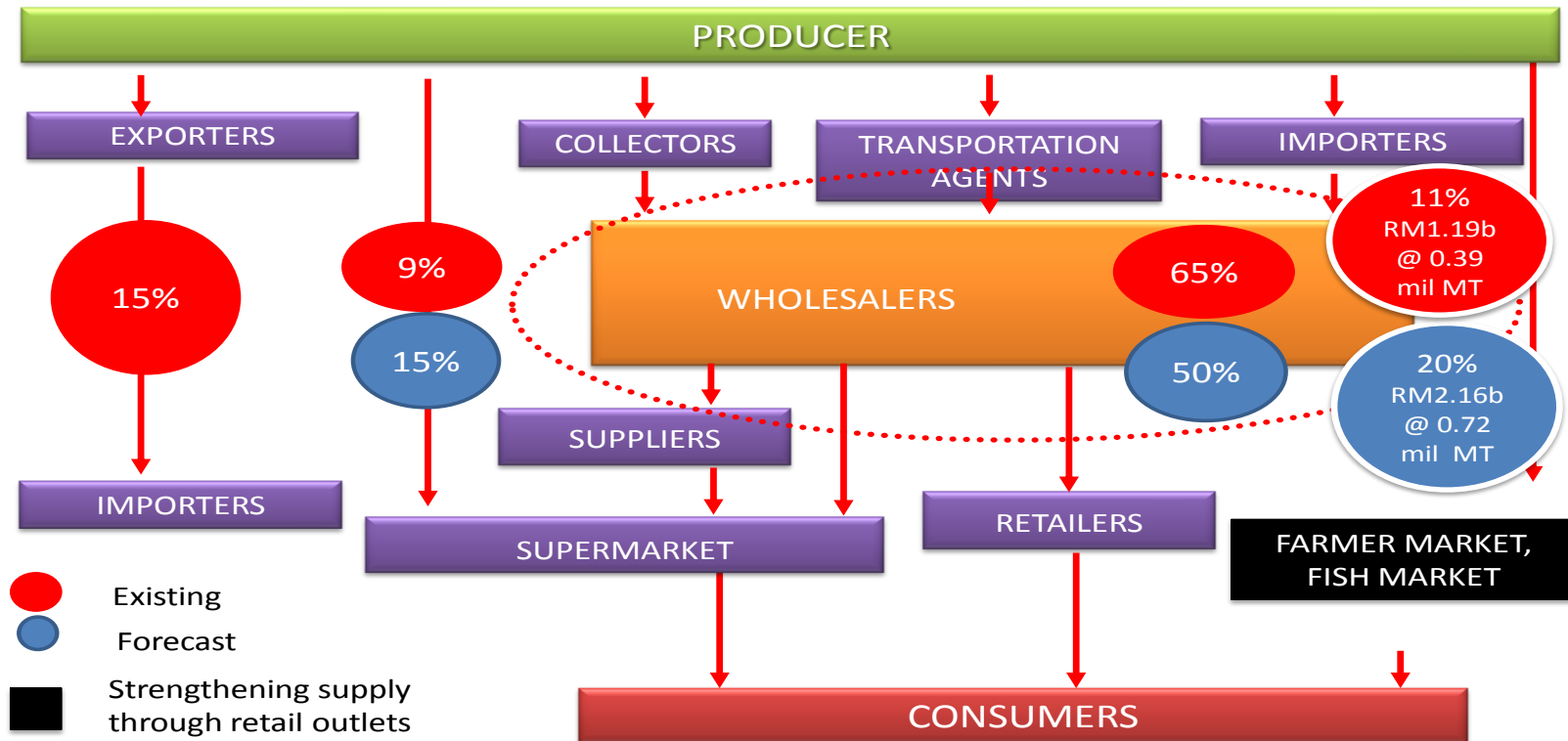
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# AGRO-FOOD MARKETING IN MALAYSIA

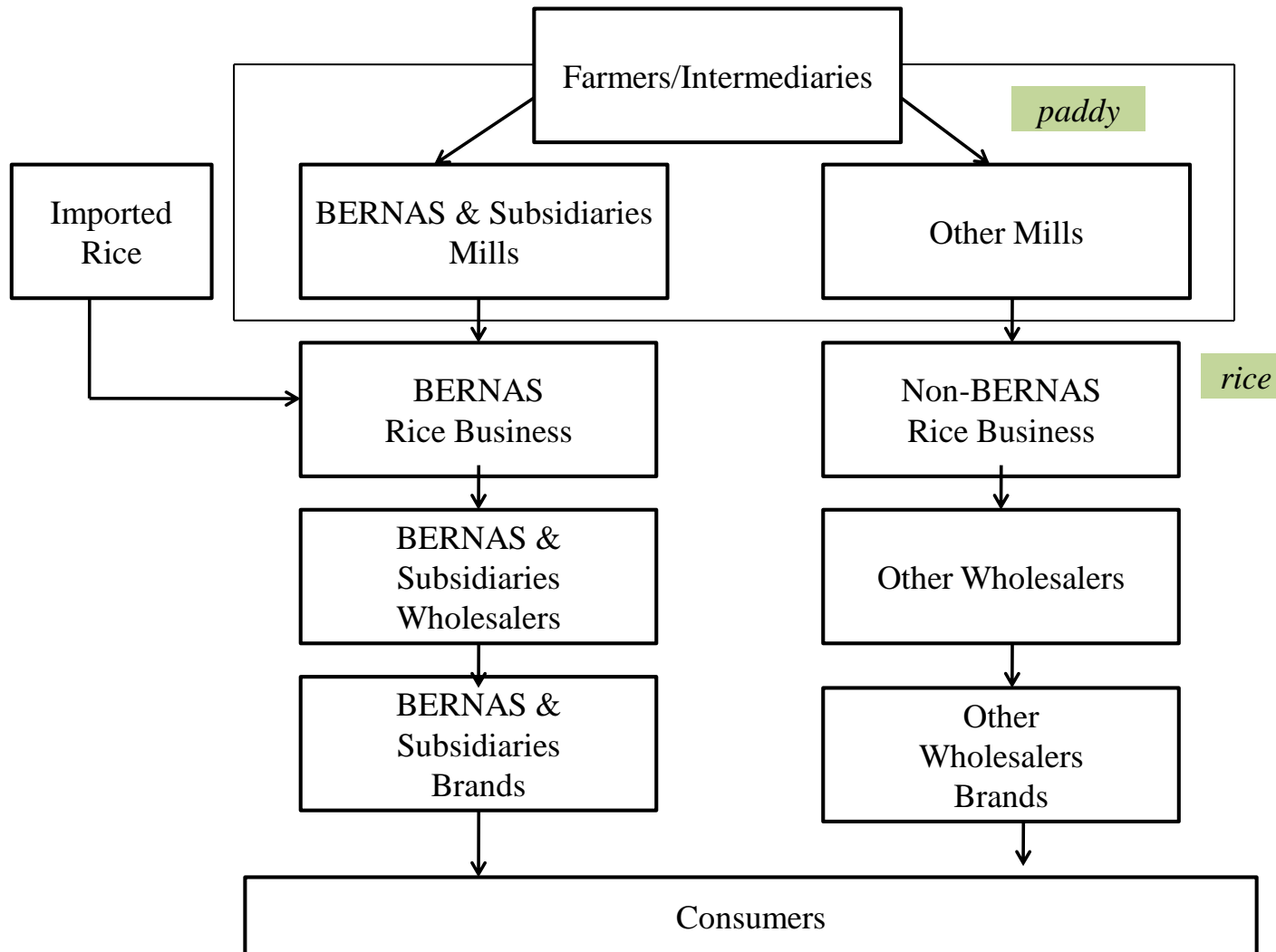
## AGROFOOD MARKETING SYSTEM



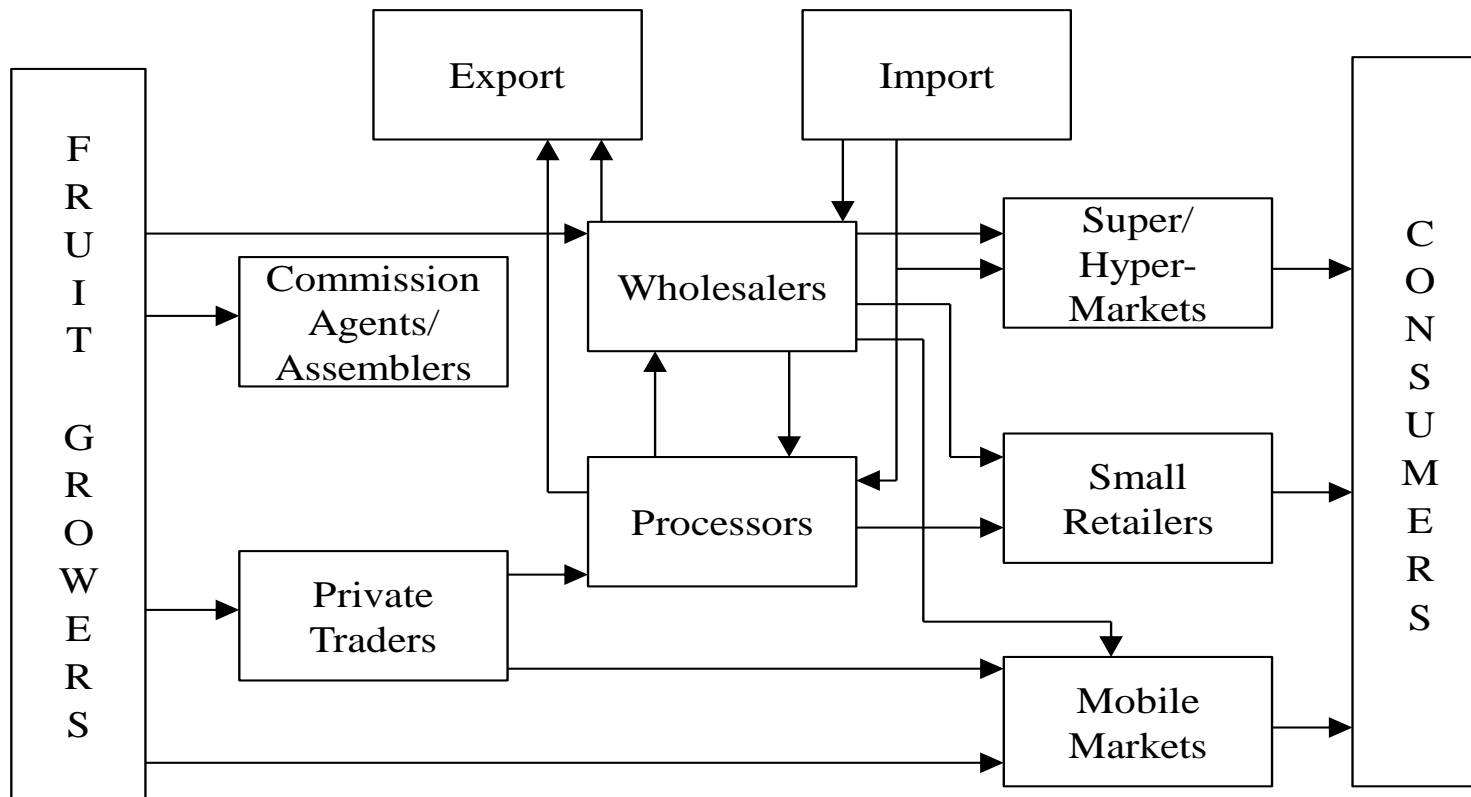
- Main sectors – rice, fruits, vegetables, fisheries and livestock



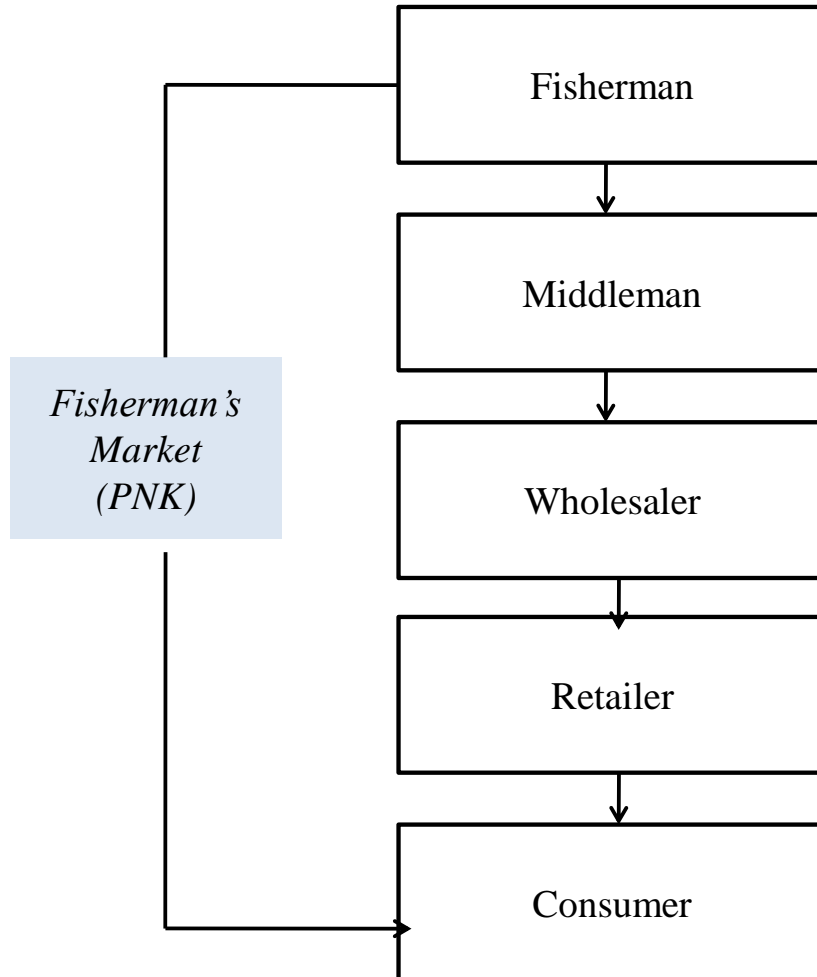
# PADDY AND RICE SUPPLY CHAIN



# FRUITS SUPPLY CHAIN



# FISH SUPPLY CHAIN



# 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)

	2012		2013		2014	
	Number		Number		Number	
	PPK	Members	PPK	Members	PPK	Members
<b>TOTAL</b>	276	826,613	276	831,496	277	851,914

	2011		2012		2013		2014	
	AFA	Members	AFA	Members	AFA	Members	AFA	Members
<b>Total</b>	87	99,167	87	97,627	87	100,680	87	102,670

	Trade Value (RM'000) of AFA					
	2009	2010	2011	2012	2013	2014
<b>Total</b>	190,680.93	215,790.79	224,384.88	227,738.69	250,312.93	261,365.92



# “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



# AGRICULTURE MINISTER SPEECH AT THE 39<sup>TH</sup> SESSION OF THE FAO CONFERENCE

- ... 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

Cluster	Before program	During program
Paddy	<ul style="list-style-type: none"><li>• Most of service in rice production offered by middlemen.</li><li>• Only middlemen purchase rice from farmers</li><li>• Less hands-on training given to farmers.</li><li>• Farmer debt levels to the middlemen are very high.</li></ul>	<ul style="list-style-type: none"><li>• Farmer Association started to serve a service with more reasonable fees.</li><li>• Rice Collection Center was established by Farmer Association to facilitate farmers in selling rice.</li><li>• Farmers often invited for training.</li><li>• Farmers can pay-off their debt with middlemen through funds allocated by the government</li></ul>



# IMPACT OF THE PROGRAM

Cluster	Before program	During program
Fruits and Vegetable	<ul style="list-style-type: none"><li>• Low ex-farm prices of fruit and vegetables offered by middlemen</li><li>• Few numbers of collection center and located far from farms</li><li>• Farmers have issues to bring their agricultural product to collection center.</li></ul>	<ul style="list-style-type: none"><li>• Prices of fruits and vegetables purchased by FAMA and Farmers Association are more reasonable with the introduction of a floor price</li><li>• Many of the collection center were established on the site of production area of fruit and vegetable.</li><li>• FAMA provides more transportation trip and increase the number of trucks</li></ul>

# IMPACT OF THE PROGRAM

Cluster	Before program	During program
Fisheries	<ul style="list-style-type: none"><li>• High dependency on middlemen due to bad debt</li><li>• Poor jetty condition and need to upgrade</li><li>• Not many opportunity or place for fishermen to sell their catch directly to consumers.</li></ul>	<ul style="list-style-type: none"><li>• Financial assistance to fishermen to help them pay off their debt to middlemen</li><li>• Most jetties were upgrade for the convenience to the fishermen. Some jetty provides accommodation to fishermen.</li><li>• Drastic increasing of fishermen market in many areas.</li></ul>

# 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

