

A Study of the Problems of Wholesale Vegetable Marketing in Tripoli (L.A.R.)

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ABSTRACT

This marketing study was conducted in June 1973 at Thalatha market with the prime objective of identifying and finding out feasible solutions for the major problems facing farmers as well as commission agents in the wholesale disposal of vegetables. It was found out that the majority of middlemen prefer to deal with farmers on a commission basis since the method is popular and well-known to the concerned parties. The study also showed that the commission which middlemen receive for their services ranged from 3-9%, depending upon the varieties of vegetables, quantities sold, and other factors. A daily surplus of unsold vegetables, which besides lowering the price to the farmers creates further problems in the disposal of this surplus in the retail market, was also revealed by the study. Grading of vegetables has an increasing effect on the prices which farmers receive, the urgent need for reconsideration of the price control measures in such a way as to guarantee that consumers are getting good quality products at low prices; the impracticability of specialization in the marketing of vegetables middlemen, these and other results were fully presented and discussed in this paper.

INTRODUCTION

Thalatha market is the only wholesale market for fruits and vegetables in Tripoli where all farmers in the vicinity of Tripoli bring their produce for sale through commission agents. These commission agents, in turn, sell the produce to retailers and other grocery stores at prices fixed by the government through a price control committee. This marketing structure created lots of problems for the farmers as well as wholesalers. On the other hand, farmers feel that the prices they receive for their products are low, while on other hand, wholesalers complain of occasional surpluses of fruits and vegetables. Lack of adequate storage facilities, including, cold storage facilities, creates further problems which need immediate attention.

Due to the above-mentioned problems as well as other relevant marketing problems a study was conducted at Thalatha market in June 1973 to determine the various procedures followed in marketing of vegetables, middlemen's relationship with farmers,

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ways and means of reducing the surplus of vegetables at Thalatha market. Other objectives of the study were the evaluation of price control by the government, grading of vegetables, and specialization of the middlemen in the marketing of some vegetables.

Eighty-five out of about 120 middlemen who operate at Thalatha market were selected randomly and constituted the sample for this survey. They were interviewed personally in June 1973, and asked to fill a questionnaire that consisted of questions regarding the various objectives outlined above. They were asked questions about the methods they prefer in dealing with farmers, daily surplus of vegetables, needs and demands of the marketing system in L.A.R., and other questions. The responses of the sampled middlemen to the various questions have been presented and analyzed in this report.

Methods Followed by Middlemen in Marketing of Vegetables at Thalatha Market

The Figures in Table 1 below show that 82 middlemen (96.5% of the sample) were dealing with farmers on a commission basis. This in contrast to only 3 middlemen (3.5%) who were dealing with farmers on a commission basis as well as direct buying and selling of vegetables at Thalatha market.

As a matter of fact, 84 out of 85 sampled middlemen preferred taking a commission from the farmers to the other method for the various reasons shown in Table 2.

The figures in Table 2 indicate that 18 middlemen (21.3% of the sample) were in favour of taking a commission from the farmers to avoid possible losses due to price fluctuations.

Sixteen other middlemen (18.90%) reported that they prefer the commission basis due to their limited financial resources. Other reasons for preferring the commission method are listed in Table 2.

It is worth mentioning that the commission which the middlemen receive for their services depends upon three factors:

1. Type of Vegetable: The commission ranges from 7-9% of the price for fresh perishable vegetables such as tomatoes, lettuce, carrots, etc., and from 3-6% for dried peas, beans, peanuts, and imported fruits like banana and apples.
2. Quantity of vegetables brought to the market daily: The larger the quantity of vegetables which the farmer brings to the market daily, the lower will be the commission which the middlemen will charge for his services. This is done to encourage the farmers to bring more quantity to them and thereby to expand their volume of business.
3. Price of the vegetable: The higher the selling price of vegetable, the lower will be the commission. This is a sort of an incentive to the farmers with a high quality produce.

Method Used	Number of respondents	Percentage of the sample
Commission basis only	82	96.5
Direct buying and selling	3	3.5
Total	85	100.00

Table 2 Reasons for preferring the commission method to the direct buying and selling method.

Method	Number of middlemen	Percentage	Reasons for preferring the method
Direct buying and selling	3	3.50	to make more money
Commission basis	18	21.30	to avoid possible losses due to price fluctuations
	16	18.90	limited financial resources
	9	10.60	to give the farmer the opportunity to <i>sell his produce</i> at competitive market price
	13	15.34	to gain the confidence of the farmers and to stay on good terms with them
	26	30.36	No reason reported
Total	85	100.00	

The Surplus of Vegetables

Our study indicates that 12 middlemen only (14.2%) do not get a surplus of vegetables daily. The rest of them (85.8%) indicated that they get a daily surplus of vegetables and made the following suggestions to reduce the surplus:

1. Limitation of the quantity brought to the market daily by the farmers. This might be difficult to put into effect unless the farmers unite voluntarily on a cooperative basis to decide on an adequate system concerning vegetables brought to the market daily.
2. Providing more and adequate storage and processing facilities.
3. Shipping the surplus to other markets like Benghazi or Sebha.
4. Reducing the wholesale price of vegetables at Thalatha market. This action might encourage retailers to buy larger volumes of vegetables and sell it cheaper to the consumers. This, in fact, is difficult to put into practice unless the government subsidizes the farmers.
5. Announcing the wholesale prices of vegetables at Thalatha market daily on radio and television instead of the weekly announcements might reduce the surplus of vegetables. This was the opinion of almost 50% of the sampled middlemen. The rest of them, however, did not think that such announcements will be of any value due to the fact that the perishable nature of vegetables does not allow them to be stored due to the lack of cold storage facilities. Once the vegetables such as tomatoes, lettuce, cabbage, etc. are ripe, they must be marketed without any delay to avoid their being spoiled.

Storage and Refrigeration Facilities

As for storage and refrigeration facilities, 73 middlemen (85.8%) pointed out that spoilage of vegetables might be reduced substantially if better storage and refrigeration facilities were provided. On the other hand, only 12 middlemen (14.2%) reported that such facilities would be of limited value in reducing spoilage of vegetables.

Moreover, only 16 middlemen (18.88%) showed interest in having refrigeration facilities. All others did not show any interest, whatsoever, in having refrigeration facilities for the following reasons:

1. Limited financial resources: this opinion was expressed by the majority of the middlemen (almost 90% of those who did not show interest in having refrigeration facilities).

2. Insufficient production for storage along with insufficient storage space. This opinion was expressed by only 7% of the middlemen.

Grading and Packaging of Vegetables

As for getting the vegetables ready for marketing by either removing some of their inedible parts, such as carrot leaves, or packaging it, like peas, 27 middlemen (31.86%) expressed their willingness to do so. However, 58 other middlemen (68.14%) indicated that they were not ready to package the vegetables or remove their inedible parts for the reasons listed below:

1. Packaging is costly and time consuming: This opinion was expressed by 12 middlemen (36%).
2. 14 middlemen (24%) reported that packaging is not popular locally.
3. 10 other middlemen (17%) indicated that packaging should be done by the farmer before bringing his vegetables to the market.
4. The other 13 middlemen (23%) reported that packaging is not acceptable to the consumers.

Regarding grading of vegetables, 26 middlemen (30%) reported that they do not grade the vegetables since they thought this job should be done by the farmers. The majority of them (70%), however, grade vegetables before selling them.

Different vegetables were graded according to different standards, for example, tomatoes and onions were graded on the basis of size, shape, colour, and variety. A few other vegetables, such as potatoes, pepper, watermelon, and squash were graded on the basis of variety and size.

Grading, also, increased the prices of vegetables which ranged from 5–50%, depending upon the method of grading. For example, grading of tomatoes raised the price by 20%.

Price Control

Very few middlemen, 7% only, reported that fixing wholesale prices of vegetables by a price control committee might improve the price which farmers receive for their products. The majority of them however (79 middlemen or 93% of the sample) indicated that price control might not benefit the farmers and made the following suggestions:

1. Twenty-three middlemen (29%) were not in favour of governmental intervention in the market mechanism and reported that it should be left up to the forces of supply and demand to determine market prices.
2. Forty-six other middlemen (58%) indicated that price fixing might not benefit the farmer on the grounds that farmers will not have any incentive to grow better quality vegetables due to the relatively low price fixed by the government.
3. Price fixing should be done on daily basis rather than on weekly basis as it is being done now. This was the opinion of only six middlemen, 8% of the sampled middlemen.

The rest of the middlemen did not express any opinion either for the lack of knowledge or for some other reasons.

As for the effect of price fixing on the middlemen's relationships with farmers and retailers, the majority of them reported that their relationships will not improve at all as shown in Table 3 below.

The relatively low price fixed by the government and the loss of income that might be

Table 3 Effect on price fixing on the middlemen's relationships with farmers and retailers.

Relationship	Price control effect on farmers middlemen relationship	Price control effect on retailers middlemen relationship
Improved	18 middlemen (21 %)	29 middlemen (34 %)
Not affected at all	24 middlemen (28 %)	22 middlemen (26 %)
Did not improve	43 middlemen (51 %)	34 middlemen (40 %)
Total	85 middlemen (100 %)	85 middlemen (100 %)

incurred by farmers due to price control might prevent the farmers-middlemen relationships from getting better. This is also true of middlemen-retailers relationships.

The majority of the middlemen (about 95 %) reported that their relationships with farmers were informal and oral agreements, rather than written and formal agreements.

Relationships with Other Markets

The majority of the middlemen reported that they have general trade relationships without any special formal agreement with other wholesale markets like Benghazi.

Regarding the impact of outside markets on the business of middlemen at Thalatha market, 14 middlemen (16.5 %) reported that there was no impact whatsoever on their business.

The rest of them, however, 71 middlemen (83.5 %) indicated that outside markets might increase price of vegetables. As for shipping of vegetables from Tripoli to other distant markets like Benghazi or Sebha, the majority of the middlemen (74.1 %) reported that car is the best means of shipping vegetables. The rest of them, however, preferred shipping by air. We feel that air shipping is very costly unless it is subsidized by the government.

Specialization in the Marketing of Vegetables

Regarding specialization in the marketing of one type of vegetables, only 7 middlemen (8.3 %) pointed out that they were in favour of specialization. The rest of them, however, were not in favour of specialization for the following reasons:

1. Specialization might be confusing and time-consuming for both the middlemen and farmers.
2. Seasonality of the vegetable crops might discourage middlemen from specialization because once the season is over, middlemen will have no business.

Price Differentials

The majority of the middlemen (96.6 %) reported that they do not give any priority in the selling of vegetables of those farmers who bring them first to the market.

Concerning price variations in the sale of vegetables, 10 middlemen (11.8%) indicated that there is no difference in price of vegetables whether they are sold in the morning or in the evening. However, the rest of them (88.2%) reported that morning price is higher than evening price by 10–30% due to the greater demand for vegetables in the morning. The low evening price did not affect the relationship between the farmers and middlemen substantially.

Conclusions and Recommendations

This marketing study was conducted at Thalatha market in June 1973 with the prime objective of indentifying and finding out feasible solutions for the major problems facing farmers as well as commission agents in the wholesale disposal of vegetables. In the light of the collected data and the previous analysis we come to the following conclusions and suggestions:

1. The majority of the middlemen preferred to deal with farmers on a commission basis because this method is popular and well-known to the concerned parties. To suggest any other method for wholesale marketing of vegetables might not be feasible at this stage.
2. The commission which middlemen receive for their services ranged from 7–9% for perishable vegetables, such as tomatoes and lettuce; and from 3–6% for dried peas, beans, etc. We are in favour of fixed commission rates for specific varieties and quantities of vegetables.
3. The study also shows that there is a daily surplus of unsold vegetables which besides lowering the price to the farmers creates further problems in the disposal of this surplus in the retail market. We feel that providing adequate cold storage and processing facilities might take care of this surplus problem to a great extent. Marketing information regarding daily prices of vegetables prevailing at Thalatha market, if announced on Radio and Television, might also help in reducing the surplus. Such information might serve as a regulator of supply and demand for vegetables at Thalatha market. The farmers may get a chance to be aware of the prevailing market condition and to adjust their supply to certain extent. Similarly this information may be useful for middlemen, whole salers and retailers. Moreover, the majority of the middlemen pointed out the advantages of having cold storage and refrigeration facilities and indicated that their limited financial resources do not allow them to have such facilities. Therefore, it is recommended that the government should subsidize the needed cold storage and refrigeration facilities. Having such facilities might provide a valid incentive for the farmers to produce adequate quantities of vegetables needed for local consumption and storage. The government should also encourage the processing of vegetables and subsidizing it if necessary.
4. The study further showed that grading has an increasing effect on the prices of vegetables which farmers receive. It is therefore suggested that there should be a formal organization within the marketing department of the Ministry of Agriculture to suggest certain standards and grades of vegetables and to educate the farmers accordingly.
5. Price control measures should be revised in such a way as to guarantee that consumers are getting good quality products at low prices, while at the same time the farmers should be given the chance to sell their products at levels not far below the competitive market prices. If, however, it is felt that prices which farmers receive are below the

competitive price levels, then the possibility of providing subsidies to the farmers should be taken into consideration

6. Specialization in the marketing of vegetables by the middlemen might not be practical at this stage for the reasons explained earlier in the report.
7. This study would have been better and more effective had the farmer point of view been taken into consideration. Similar information could have been collected from the farmers to compare their views regarding marketing of vegetables at Thalatha market with those of the middlemen.

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