Factors Affecting Marketing Channel Choice in Agribusiness

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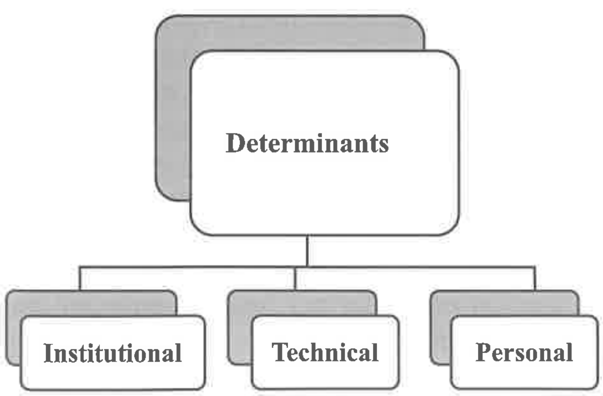
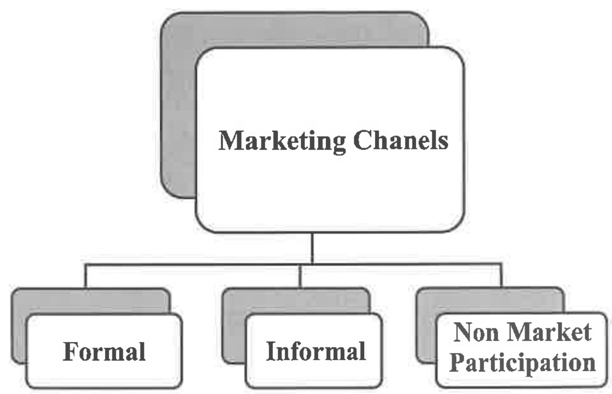
Agriculture is important to the society in terms of poverty alleviation, food security and economic growth. The economic development of many countries is highly dependent on agricultural growth as a large proportion of the population relies on agricultural directly or indirectly for their livelihood (Stamm et al., 2006). An estimated 86 percent of rural people rely on agriculture for their livelihoods (Tita, 2008/9). Agriculture remains to be main reason sustenance of livelihoods of many people and there is substantial upgradation in socio-economic status of farmers as transition in agriculture is accompanied by globalization of market place, adoption of new technology and expansion of government policies designed to support agriculture. Despite all these developmental factors that add on to agricultural growth, farmers are not able to get expected profitability due to various marketing constraints. These marketing constraints can be understood by identifying factors determining choice of market channels by the farmers to sell their produce. These factors are categorised as institutional, technical and personal factors. In fact, these factors act as major determinants of market channel choice. Present study will focus on understanding work executed by various noble academicians on different factors influencing choice of market channels by agricultural farmers.



Factors affecting Marketing Channel Choice

Further explaining the set of factors determining choice of marketing channels, institution are defined by North (1990) as rules of game that facilitate coordination or govern relationships between individuals or groups. Institutional aspects in marketing include transaction costs, market information flows, grades and standards, contractual agreements, market organization and farmers' training and education. Technical factors include physical infrastructure, storage facilities, transport ownership, road infrastructure and value addition to the produce. Personal characteristics explains more of farmers' demographic and socio – economic characteristics like Age, gender, ethnicity, education level, farm size, work force, farming experience, membership of farmer association, access to credit, access to cell phone and aversion to take risk.

Majorly, two marketing channels are identified viz. informal and formal market channels.



Types of Marketing Channels

Since, many farmers have small farm holdings, their market participation or decision to opt particular marketing channel to sell farm produce is on the basis of utility maximizing function subject to institutional, technical and personal factors. According to utility maximizing function, farmers having surplus produce to market, after consumption in his own household, will opt for the marketing channel incurs lesser transaction costs and gain more profit to him/ her.

Various workers have given valuable findings explaining effect of factors on marketing channel choice. Access to market information had a positive and significant effect on market participation and choice of marketing channels. Proper market information flow was found to influence farmers participating both in formal and informal markets.

Practice of farmers adding value to the produce had a positive and significant effect on market participation and choice of marketing channels. Value addition increased price of produce sold in market.

Ability of farmers to get guaranteed market had a positive and significant effect on market participation and choice of marketing channels significant effect in market.

Findings on influence of institutional factors

Similarly availability of good market and road infrastructure had a positive and significant effect on market participation and choice of marketing channels. However, the a priori expectation holds true for the informal market choice only. There is sufficient evidence to support that the availability of good market infrastructure is likely to encourage households to market their produce through informal channels. Unlike formal channels where market infrastructure is not important for farmers as they supply their produce in bulk once harvested to the higher level of the marketing channel (Jari and Fraser, 2013).

Findings – on influence of technical factors

Association with farmers' groups or cooperatives and with such organizations provided additional benefit to the farmers like technical assistance or input supply. Farmers also had information about the grades and standards of the produce required in formal markets. This is contrary with results given by Zivenge and Karavina (2012). According to their findings, farmers with cooperative membership were less likely to participate in formal markets. This is contrary to the conventional assumptions that collective action enables small farmers to attain economies of scale and reduce specific transaction costs. A possible explanation for this may be that most cooperatives in the study area (Chinamora, Zimbabwe) are bound more by social motives rather than business goals. In most cases, cooperatives are formed around development circles with the government taking the lead forcing individuals into groups to ease coordination of development programs. The majority of farmers are participating in markets as individual.

Findings – on influence of personal factors

Training and education to the farmers on latest technology influenced farmer's market participation. It also encouraged adoption of formal markets for selling farm produce.

With respect to socio-demographic factors, it was found that with increase in age, farmers resist adoption of new technology and were more inclined to informal market participation. Aged farmers also showed aversion to risk.

Gender of farmer significantly and positively influenced market participation. Male farmers were more market oriented as compared to females. However, Martey et. al. found that in female headed households, probability of choosing market cooperative relative to urban market is 151% higher than male headed households. Females tend to be more aware of marketing channels because they are more networked socially and undertake most agricultural activities.

Education of the farmer had a significant and positive effect on market participation. It was found that most of the farmers were illiterate and few were educated up to secondary level.

Educated farmers were more in formal market channels as they could negotiate more effectively. However, Pleite in 2004 concluded that education had no significant effect on choice of market channel choice. This may be quite normal for growers and farmers in other areas of agriculture, in this intensely technological activity it stands out as being somewhat incongruous.

Group marketing, vehicle ownership, possessing cell phone and farm size were positively and significantly influencing the choice of market channel. With increase in farm size, formal market participation was there. However, Pleite (2004) concluded that there was no statistical significance between household size and market participation. Vehicle ownership helped farmers to take their produce to markets and thus it was found to be positively and significantly influencing the choice of market channel. Also, contrary to farmers choosing urban market having mobile phone access, Martey et.al. concluded that the farmer using cell phone is more likely to choose market cooperative. The finding is probably due to farmers' established linkages with traders who come to buy directly from them both at the farm gate or village community market by using cell phone. One more converse finding to statistical significance between farm size and formal marketing channel choice was found by Martey et.al. They researched in a Yam cultivating area in Africa that the farm size is significantly associated with a higher probability of choosing a rural market relative to urban market. The probability of a household head to choose rural market relative to urban market increases by 20% with every additional Acre of land under Yam cultivation. Farmers with more land prefer to sell their produce at immediate market to avoid post harvest losses. A high transportation cost is associated with selling in the urban market which most farmers would like to avoid especially where there is no incentive for selling in such market.

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