

FARMERS' PARTICIPATION AND SUPPLY CHAIN ISSUES: A CASE STUDY OF FARMERS' MARKET IN KUALA LUMPUR VICINITY

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ABSTRACT

The case presents an overview of farmers' market operation in Malaysia. The main objective of the farmers' market is to provide the platform for farmers to earn better income, hence enabling growth in their business ventures. However, after many years of its operation the farmers market has received lukewarm response from the farmers. A study carried out at selected farmers' market in the Kuala Lumpur vicinity area indicated that the market was largely participated by sellers who marketed farms produce bought from the farmers and wholesalers. This case highlights some challenges and issues that need to be addressed in order to realize the primary objective of the farmers' market.

INTRODUCTION

The growth of farmers' markets, or locally known as *Pasar Tani*, has tremendously increased in recent years. This can be seen from new *Pasar Tani* sites which have mushroomed in many towns all over Malaysia, indicating an increase in the total revenue contribution of the domestic economy. Generally, *Pasar Tani* has been an effective marketing platform for small scale farmers' entrepreneurs to increase sales and earn better revenues. With the opportunity laid to them, the farmers should be able to springboard to larger scale ventures in the future years. Despite the promising outlook, the Federal Agricultural Marketing Authority (FAMA) is concerned with the low participation rate from farmers. From the authority's perspective, the farmers should take advantage of the opportunity to sell directly to consumers and obtain better revenue through the *Pasar Tani*, while the consumers enjoy fresh farm produce at reasonable prices. However, issues related to supplies and logistics, among others, have contributed to the low participation from the farmers. Consequently, the number of "non-farmers traders" who sell goods obtained from the farmers and wholesalers, in the *Pasar Tani* had increased. This had raised the question: how is *Pasar Tani* different from other markets, such as the *Night Market*? What are the challenges facing the farmers which have hindered them from aggressively taking advantage of the *Pasar Tani* and how could these problems be reduced?

OVERVIEW OF FARMERS' MARKET (PASAR TANI)

The Federal Agricultural Marketing Authority (FAMA), an agency under the Ministry of Agriculture and an Agro-based Industry of Malaysia, is responsible for the supervision, coordination, regulation and improvement of the marketing of agricultural products (FAMA, 2011). Since its inception in 1965, FAMA has been active in introducing numerous

initiatives at the national level. One of the most visible programmes under FAMA is the Farmers' Market, or *Pasar Tani*.

Pasar Tani was first introduced in 1985 with the objectives of:

- 1) providing opportunities for rural farmers to sell their products, with emphasis on the concept of added value and convenient service, and
- 2) expanding the market of the agricultural products and provide training opportunities to entrepreneurs who aim to improve their enterprises.
- 3) encouraging farmers, especially 'bumiputera' (term refers to natives of Malaysia) to venture into business and increase their income.
- 4) providing a place to introduce farmers' agricultural and their latest products as well as to decrease farmers' dependence on middle- man.

According to FAMA (2011) most farmers entrepreneurs could not afford to promote their products due to high costs involved in marketing. The lack of effective promotions had led to declining product sales and reduced income. On the other hand, consumers, especially who lived in the cities would find it difficult to obtain farms' products as most farmers were still unable to market their products in hypermarkets and sundry shops. Therefore, the *Pasar Tani* is the appropriate platform allowing farmers entrepreneurs to get closer to the market with low cost.

As of May 2010, the total sales generated from 1985 until 2010 (25 years) from *Pasar Tani* was recorded at RM11.5 billion (Enhnan, 2010). The *Pasar Tani* features mobile stalls and caravans in a carnival-like atmosphere. Farmers would set-up mobile stalls at a particular site once a week during business hours. The market usually remains open for five to six hours. Participants comprise of individuals and groups of farmers who sell fresh or processed agricultural products.

The Market

For more than 25 years since its inception, the economic contribution from *Pasar Tani* has been very encouraging. It had recorded participation from 17,300 traders with each participant earning an average monthly income of between RM700 to RM20,000 (The Star Online, 2011a). In Selangor, one of the states in Malaysia with high density, the total sales reported from January until September 2010 was RM60million (<http://www.fama.gov.my>) and with the launching of 40 new sites nationwide in 2011 FAMA had set a target of a total revenue of RM1billion for the year (The Star Online, 2011b). With the aggressive expansion of the *Pasar Tani* nationwide, FAMA had been calling for more participation from the farmers to take advantage of selling directly to the consumers, as well as to ensure that the objectives of opening up the *Pasar Tani* could be achieved. According to FAMA, *Pasar Tani* provided special opportunity to farmers to take part as this would serve as a platform to market and promote their products not only to the locals, but visitors and tourists as well (The Borneo Post, 2011).

However, after more than 25 years of operation FAMA faced many challenges. For example, *Pasar Tani* participants were no longer limited to farmers but had also included non-farmer traders who acted as middle-men selling the farms' products. These "marketer-traders" purchased fresh products from the farmers at discounted prices and subsequently sold them at the *Pasar Tani*. Another group of participants of was retailer-traders, who obtained

their supplies from wholesalers and would bring the produce closer to the consumers in the cities. This had created a situation where *Pasar Tani* were highly populated by non-farmers and consumers who expected to buy fresh goods at *Pasar Tani* might not have their expectations fulfilled. Meanwhile, since majority of farmers were located in rural areas (most of the farms were located more than 100 kilometres away from the *Pasar Tani* sites), logistics and time constraint tend to be some of the problems causing the low participation by farmers.

THE CASE STUDY OF PASAR TANI IN KUALA LUMPUR VICINITY

To understand and examine the opportunities and challenges faced by *Pasar Tani* traders, interviews with traders of *Pasar Tani* in the Kuala Lumpur vicinity were carried out. The *Pasar Tani* sites selected were from the Klang valley area due to time constraint. Eight sites were chosen from the *Pasar Tani* sites list which was obtained from FAMA Selangor and Wilayah Persekutuan office. The selected sites ranged from small (about 40 traders) to mega *Pasar Tani* (more than 100 traders).

The period for data collection lasted for two months i.e from November to December 2010. The researchers visited eight *Pasar Tani* sites and interviewed a total of 24 traders. At each site, the traders randomly selected respondents (traders) comprising of those who were selling wet products (vegetables, fish, chicken), sundry items and processed items (snacks, cakes, fruit jam, cooked food). Data from the interviews with the traders were transcribed and described in Table 1.

Selected Cases of Traders of Pasar Tani

As shown in the table, out of 24 traders interviewed eight (33%) of the traders were farmers whom were selling fresh produce from their own farms as well as produce from other farmers. Twelve (50%) of the traders had obtained supplies from the Wholesale Market while four of the respondents interviewed were marketer-traders (17%). From the interview, five out of the farmers-traders reported that almost half of the items they sold were produce from their own farms while another came from peer farmers.

For example, Dzubir b. Zaidon who lived in Sungai Besar (more than 100km from the market location) had been selling fresh produce which 60% came from his own farm and the remaining produce he obtained from several farmers in Sungai Besar and Teluk Intan. The produce would be sold to him at a wholesale price and on average he earned RM1500-2000 daily. He has been selling at the *Pasar Tani* located in Kampung Melayu Subang, which had less than 50 trader stalls and distance from Kuala Lumpur city centre is about 40km, for more than 17 years. According to him, the site was the only location he traded in since there was no other trader selling similar fresh farm produce as he was.

Jumali b. Misman from Banting (about 100km away from the *Pasar Tani* site) sold fresh vegetables which 60% of the products came from his own farm. He also obtained 40% of the fresh produce from farmers in Cameron Highlands (more than 200km from his farm) as well as from a Wholesale Market located in the city. Since most of the produce were from his own he was less dependent on the suppliers and had never experienced any shortcomings in the supply. He had traded at *Pasar Tani* for 18 years, a business which he inherited from his

Table 1: Summary of Selected Farmers/Traders Profile at <i>Pasar Tani</i> in Kuala Lumpur Vicinity		
Name	Products	Obtained supply from

Dzubir b. Zaidon	Fish, vegetables, local fruits, and <i>ulam kampung</i>	60% from own farm ; 40% from farmers in Sungai Besar and Teluk Intan.
Jumali Misman	Vegetables	60% from own farm ; 40% from farmers in Cameron Highlands and Wholesale Markets
Mohd Muaz Hariman	Molluscs and cockles	Suppliers from Wholesale Market, Selayang.
Mohd Norismat Mohd Jais	Local fruit and <i>ulam kampung</i>	50% from own farm ; 50% from other farmers in Tanjong Karang.
Mohd Rosli Abdul Rahman	Processed chickens.	A poultry farmer.
Muhaddis Isman	Vegetables	50% from own farm ; 50% from other farmers
Rosilawati Abd Jalil	Coconut milk, vegetables and <i>ulam kampung</i> .	Suppliers from Wholesale Market, Kelang
Shahrul Amir Hasan	Processed corns	FAMA
A. Shukor Hj. Hasan	Frozen Food.	50% from own factory ; 50% from suppliers
Norlizan bin Abdullah	Processed chickens.	Poultry farmers.
Ahmad Ismon Sulaiman	Bananas and vegetables	Wholesale Market.
Mohd Taufik Zukiman	Processed chestnuts	Suppliers from Wholesale Market, Selayang.
Nor Hayati Muhammad	Cooked food.	Suppliers from Wholesale Market.
Amsyam Zakaria	Vegetables	Suppliers from Wholesale Market, Selayang.
Badariah Arifin	Sundry items	Wholesalers from Wholesale Market.
Mohamed Razali Jaafar	Processed potatoes.	Wholesalers and hypermarkets.
Mohd Shaffiee Jaafar	Bananas and vegetables	40% from own farm ; 60% from other farmers
Sri Ariani Mohd Arshad	Fruits	Suppliers from Wholesale Market, Selayang.
Zamzaini Tosni	Snacks	Processed at own factory
Amir Afandi Ahmad Fikri	<i>Ulam Kampung</i>	Suppliers from Jalan Chow Kit market.
Abdullah b Sungip	Vegetables	20% from own farm ; 80% from other farmers
Samiran Salehin	Vegetables	Farmers at Cameron Highlands
Aminah bt Abdullah	Bananas and vegetables	Wholesalers
Zainal b. Arifin	Fish	Wholesalers

late father and earned an average of RM1500 daily from one location and he traded at two locations weekly.

Rosilawati who lived in Klang (about 30km from the location) traded products which she obtained from Klang Wholesale Market. For more than seven years she had participated in *Pasar Tani* selling coconut milk, vegetables and *ulam kampung*. According to Rosilawati, the main problem stem from the supply chain due to price uncertainties set by the suppliers and hike in transportation costs. Since she had to depend on the suppliers at the Wholesale Market – who usually were middle-men selling fresh produce obtained from farmers, the costs of supplies would vary and be higher than that of obtained directly from the farmers. Roslina earned relatively lower income at an average of RM250 daily at one location and she traded at two locations per week.

Another trader we interviewed was A. Shukor Hj Hassan from Petaling Jaya, which is about 5km from the market. A. Shukor has begun trading at *Pasar Tani* the past 18 months since he retired from public service. 50% of the frozen food he sold was processed at his own

premise while the remaining 50% came from a supplier, which was located 300km away from his site. From his experience, he faced several problems with the supply, among others, there were times that goods were not delivered on time, short-supplied and some were damaged. The cost of transporting back the damaged goods was high and this had resulted in higher operating cost from A. Shukor. On average, he earned RM600 daily and he traded at three locations weekly.

Having had to travel more than 150km to the *Pasar Tani* site, Amin b. Abdullah “collected” the fresh farm produce (bananas and vegetables) from several farmers where he lived. The produce was bought at wholesale price. For more than eight years Amin had been selling at two sites and earned on average of RM500 daily. The problem he had encountered with the supply was mainly due to the suppliers demanding higher purchase volume from Amin in order for them to sell. In this scenario, a marketer-trader like Amin, had to succumb to the suppliers demand and may incur unnecessary cost in case of surplus goods.

Likewise, Mohd Razali Jaafar who sold processed potatoes faced difficulties with the supply of raw potatoes. Mohd Razali obtained his supplies from the wholesalers at discounted prices. Often times, when demand for raw materials hiked especially during festive season suppliers would cut on the delivery quantity and asked for higher prices if customers insisted on buying. Although Mohd Razali did not incur high transportation cost since he lived about 15km away from the market location he had to pay the price of over-reliance on the suppliers. On average he earned RM700 per day and he traded at four other locations in a week.

From the selected cases above, distance from the market posed a challenge to the farmers where transportation cost and time constraint were some of the logistic issues which need to be resolved. According to Dzubir b. Zaidon in the interview, not many farmers were able to participate in the *Pasar Tani* since they live very far from the city. Logistics wise it was not feasible for them to travel and it was also time consuming. The main objective of *Pasar Tani* was to provide a revenue-generating platform for the rural area farmers. However, the results of this case study showed low participation rate by the farmers. Meanwhile, traders whose supplies depend mostly on suppliers or other farmers’ produce would tend to have higher costs of operation due to pertinent factors such as quality and quantity of supply and price uncertainties.

The lack of established and loosely coordinated supply chain has led to higher costs especially if farmers worked in isolation. The current model centred on bringing the farmers produce closer to the consumers. However, the increasing logistic costs had hindered some farmers from going into the cities.

CHALLENGES AND ISSUES AHEAD

The current model of *Pasar Tani* in Malaysia centered on bringing the farmers produce closer to the consumers. However, due to low participation rate from the farmers should FAMA rethink the model of *Pasar Tani*? Would it be a better option to re-locate the market closer to the farms instead of closer to the cities in ways to reduce the logistic problems facing the farmers? If traders participation helped to boost the overall revenue generated at *Pasar Tani*, then how should FAMA assist the traders (other than farmers) to overcome the supply chain issues?

Discussion questions:

1. Should *Pasar Tani* participation be limited to farmers only or extended to include other traders (marketer and retailer traders)? Why or why not?
2. In your opinion, should *Pasar Tani* sites be closer to the cities or closer to the farms? Explain your views.
3. Suggest ways to improve the participation by the farmers.
4. Suggest ways to reduce the supply chain problems faced by the traders.

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