

# Role of the Middleman & Neglected Aspects

MISBAH BASHIR <sup>1</sup>  
DR. NASIR IQBAL <sup>1</sup>





Middleman most commonly known as commission agents, arhtis, beopari and retailers are the bridge between buyers and farmers for auction facilitation, arranging finance for the farmer, taking the responsibility of loading and unloading and delivering the product to the buyer. Middleman play key role in agriculture sector of Pakistan owing to inefficient and poorly managed agriculture market.

During the field interview of farmers, arhtis, and brokers in Pakpattan and Arifwala mandi, we find that arhtis offer range of services depends upon the serving market. Commonly, arhtis offer two main services, provide inputs on credit in sowing season and act as seller in harvesting. By taking advance from middleman farmer is bound to sell yield to same arhti and he took control over cash inflow of farmer.

Similarly, arhti earn a commission from the sale of the production of the borrower, his percentage lies between 2 to 4 percent depending upon crop and client. To calculate the interest rate which is charged by arhti, we get info about per acre input requirements for the set of basic four crops which are grown in this area like wheat, maize, rice, and cotton. The survey is conducted in Pakpattan and Arfiwala mandi which reveals the truth that, despite differences, farmers are forced to go to middleman due to the complicated and lengthy credit disbursement process of the formal sector and intermediaries took the advantage of marginalized class. During survey, we do not use seed because most of the time farmers used the previously saved part of the production for sowing or purchase it in cash.

A farmer approached arhti in the dry season to buy inputs for sowing is a prolonged phenomenon. The players in the agriculture market are well aware of the average cost of cultivation for a particular crop. Those who involved in the informal sector are quite active in making funds available, about half of the arhtis disbursed on the spot while others took a week. The term of the loan depends upon the crop cycle, mostly tied with the sale of the yield. In this procedure arhti frequently took

the 60% to 80% of the farmer's earning and farmer remained hand to mouth.<sup>4</sup>

### The Neglected Aspect

In the agriculture market farmer prefer the informal sector because, the formal sector required a guarantee against payment and farmers don't have anything to offer. The procedure of credit disbursement is very complicated so, farmers mostly avoid it. Thakedar took the advantage of these circumstances, they lease land from leazer and contact arhitya for inputs. By using his mind along with the land of the landowner and money of arhti thekadar sow the crop and earn money. There is no record of the thekdar earning in government offices. So, it can be said the real threat for the government is not the arhti but the thekedar. If the government relax the term and condition for agriculture loaning and skip the guarantee of land papers etc. All of these thekedars will go to the banks for availing credit facilities (because of the differences in interest rates charged by banks and arhitya) and government can generate revenues.



### Who Took the Advantage of Price Support?

Every year the government uses a price support policy to support farmers, especially in the wheat market. The farmer produces an excessive amount to sell government but at the time of harvesting due to the lack of capital government unable to purchase the total production. For example, according to PITB Wheat Procurement, the Punjab government buy 40% of the wheat produced in

<sup>7</sup> Zeeshan, I (2019). "Analysis of Determinants and the Role of Commission Agent in Wheat Supply Chain: A Case Study of Pakpattan, Punjab.

<sup>8</sup> Abdul Jalil, F. Z., Muhammad Aqeel Anwar, Nasir Iqbal, Saud Ahmad Khan, (2020). "Wheat Support Price: A Note for Policy-makers "

the province but the remaining 60%? The farmer sells the remaining part of their production into the market where market forces set the prices which are lower than government prices. Due to the surplus prices remain low and farmers suffer. At the same time, arhti took advantage and earned a sale commission.

### Concluding Remarks

To conclude, no one can deny the importance of the intermediaries being a larger financier of credit and input providers in Pakistan's agriculture market. However, the dilemma is that they earned a high interest against credit from small farmers. Arhtis are not only provide inputs and credit but also they receive a major share of output from farmers on low prices and in return for credit and provision of inputs. Additionally, the thekadar in the market are a real threat to the economy, as the government do not have any kind of record of their transactions. To ease the burden of small farmers' government should consider a favorable regulatory framework concerning credit provision. Besides, by getting thekadar into the net government can enhance their revenue too.

Similarly, credit on a profit\output sharing basis can meet two objectives at one time: grain sufficiency and repayment of loan without involving any third party. Liberalize spot markets to allow entry and competition.<sup>8</sup>

Intermediaries (Arhti) being a larger financier of credit and input providers is a basic component of Pakistan's agriculture market. However, the dilemma is that they earned a high interest against credit from farmers. They took 60% to 80% of the farmer's income as their facilitation charges. The survey, of the Pkapattan and Arfiwala mandi reveals the truth that, despite differences, farmers are forced to go to middleman due to the complicated and lengthy credit disbursement process of the formal sector. On the other hand, thekedar who use the land on lease get loans from arhti and grow their crops. There is no record of the production and earning of the thekedar, we highlighted them as neglected aspects. Based on the ground realities, we proposed that the government should consider a favorable regulatory framework concerning credit provision, enter the thekedar into the net and liberalize spot markets.