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## THE ANTI-MIDDLEMEN ATTITUDE OF FARMERS IN GREECE: CAUSES, REPERCUSSIONS, AND SOLUTIONS

Christos Kamenidis

In the early stages of economic development, the production of raw agricultural products is generally considered the major productive economic activity, while marketing is considered a "surplus cure" activity. This has led various public policy makers to emphasize production and almost totally neglect marketing in preparing national development plans. Furthermore, the anti-middlemen attitude which generally prevails among farmers and consumers, and sometimes among government authorities, has also played some role in the underdevelopment and inefficiency of the agricultural marketing system. This attitude seems to have contributed considerably to the retardation of agricultural and overall economic development.

The main aim of this research is to determine the extent and causes of the prevailing anti-middlemen attitude among Greek farmers, to evaluate its major repercussions, to propose certain policy measures to remedy this problem, to specify whom farmers mean by middlemen, and to outline some possible directions of future research.

This study refers to almost the entire area of Greece, since the farmers from whom the data have been obtained are scattered all over the country. However, not all provinces are equally covered, mainly for financial reasons. The primary data used in this analysis were collected from 524 farmers during 1976-78. Questionnaires were used for this purpose, completed either by personal interviews or by mail. According to the method of data collection, these can be divided into the following categories:

1. Data collected by mail from 186 farmers of central Macedonia. The original sample size was 510 farmers, determined by stratified sampling. Taking into account the conditions prevailing in Greece (farmers' education, the value which Greeks still put on research, and so forth), this response rate of 36 percent is considered satisfactory.
2. Data collected by the author's personal interview of 218 farmer members of agricultural cooperatives all over the country.
3. Data collected from 120 farmers of various areas of Greece through personal interview by four University students.

To determine the extent of the anti-middlemen attitude, farmers were asked to state their opinion about the middlemen; that is, whether or not middlemen are useful. Not unexpectedly, all the interviewed farmers answered that middlemen are harmful to them. They even went on to characterize middlemen as "parasites of society" and "exploiters of farmers and consumers." Of course, this is farmers' opinion, not always based on their own experience or justified by the facts. It is a matter of further research to find out if or the extent to which farmers are right.

Next, farmers were asked to clarify whom they mean by middlemen, because the type of middlemen farmers have in mind makes a lot of difference for public policy makers. The vast majority (42 percent) of the interviewed farmers mean brokers; that is, those marketing agents who are placed between farmers and any buyer and who conducts negotiations on product prices and other terms of trade. Few (10 percent) of the interviewed farmers mean both brokers and dealers; 13 percent mean brokers, dealers, and local traders; 15 percent mean brokers, dealers, local traders, and wholesalers; 18 percent mean all but retailers; and very few (3 percent) include retailers.

The anti-middlemen attitude of farmers is not directed equally against all types of middlemen. The direction and magnitude of farmers' anti-middlemen attitude depends mainly on the marketing system of the product under consideration. Thus, in certain product sectors (tobacco, for example) farmers usually mean brokers. Producers of fruits and vegetables most frequently mean wholesalers, processors, and exporters.

### Causes

Dissemination of false information. The reason most frequently cited by farmers for their anti-middlemen feelings is middlemen's dissemination of false information about the current and future prices of farm products, conditions of supply and demand, imports and exports, and so forth. Farmers state that such information psychologically forces them to sell their products at prices which are generally below what they could achieve under conditions of perfect information. This reason was cited by 20 percent of the sample of 524 farmers. Those citing this reason are mostly livestock producers, and tobacco and cotton growers.

Purchase of farm products at prices lower than government guaranteed prices. Despite the fact that the government determines floor prices for agricultural products, there are cases in which middlemen buy such products below these prices. This reason was claimed by 16 percent of the sample, mostly producers of fruits, vegetables, poultry, and livestock.

Price offerings unrelated to product quality. Another reason which farmers cited to explain why they are against middlemen is the latter's tactic of buying farm products at prices which do not reflect product quality but rather the bargaining power of farmers. This factor was claimed by 15 percent of the sample, mainly producers of fruits, vegetables, tobacco, and cotton.

Delayed payment to farmers. In some instances, certain middlemen delay their payment to farmers for a long time, even a whole year, as a means of making profits. To achieve this delay, middlemen sometimes issue cheques for which no credit exists in the banks. Such a tactic has frequently been utilized by tomato processors. This reason was cited by 13 percent of the sample.

Issue of false invoices. Certain middlemen, to avoid any punishment by the state authorities for purchasing products at prices lower than the government guaranteed prices, sometimes issue false invoices to farmers. In such invoices, while prices are recorded correctly, purchased quantities are knowingly underestimated. Such cases were cited by 9 percent of the farmers interviewed, mainly broiler, livestock, and cotton producers.

Cheating farmers in weighing their products. Sometimes farmers complain that middlemen underrecord the quantity of the product. This reason was cited by 8 percent of the sample, mostly meat producers.

Introduction of higher percentage of foreign material into the farm products. This is one of the methods which middlemen utilize for making profits, if the other methods cannot be proved efficient. This reason was claimed by 7 percent of the sample, mostly tomato, cotton, rice, and wheat producers.

Violation of the terms of production contracts. Some farmers blame certain middlemen, especially processors and exporters, for violating the terms of production contracts which they have made with them. More specifically, farmers say that while these middlemen have asked them to produce a certain quantity of a product with an agreement to buy it all at a specified price, they did not buy any of it. Thus the product is left on the farms, partially or totally deteriorated, yielding the farmers little or no income. This case was cited by 5 percent of the sample, mainly producers of watermelons, cucumbers, carrots, peas, and okra.

Purchase of only some part of the total quantity of a product available. Another reason for which farmers accuse middlemen is that sometimes they do

not buy all the quantity of a product available for sale. They buy only some amount of it, and usually the best quality, leaving the rest to the farmers who have difficulty in selling it. This is the case with fruit, vegetable, cotton, and tobacco growers. This reason was cited by 3 percent of the sample.

Payment of a small proportion of the product's total value. Sometimes certain middlemen (wholesalers and exporters, for example) do not pay farmers (fruit producers, for example) the total value of their products. This happens especially when products are sold on a commission basis. In such cases, middlemen complain to farmers that a significant proportion of their products has deteriorated. This reason was cited by 2 percent of the sample.

No payment at all to farmers. There are cases in which farmers do not get any money from middlemen, simply because after they purchased the products from the farmers on a credit or on a commission basis they disappeared. Some of these cases came into court. This reason was cited by 1 percent of the sample, all of whom refer to their own experience. This usually happens with livestock producers and fruit growers.

Miscellaneous. Payment to farmers at prices lower than those agreed upon with middlemen can be mentioned here. Such an instance was noticed with certain cherry producers in northern Greece. Miscellaneous reasons were cited by 1 percent of the farmers.

The above cases do not apply to all middlemen in the country. No doubt their performance varies from good to bad. However, farmers, having in mind those middlemen who do not operate well, generalize their feelings against all and thus create a nationwide anti-middlemen attitude. In this light, the task of an agromarketing researcher is to identify those middlemen who do not perform well and to take all the necessary measures to force them to improve their marketing performance.

If all these accusations of farmers against middlemen are true, the next question which arises is, Why do middlemen in Greece behave in such a way that they create an attitude against them not only from farmers but also from consumers and government authorities? It seems that the answer to this question lies mainly in the theory that middlemen in Greece generally behave on a short-run basis. This means that middlemen see themselves temporarily in the marketing business. For this reason, they try to make the highest possible profits in the shortest possible time.

The main reasons why middlemen behave on a short-run basis in Greece seem to be the following:

1. The relatively high risk which prevails because of the: frequent changes in the government trade and price policies; high rate of inflation; lack of adequate infrastructure; lack of adequate number and properly equipped transportation modes and warehouses; limited food processing industries; tariffs and other restrictions of the European Community; and lack of government marketing services (such as grading).
2. The fact that state laws and regulations regarding the marketing of agricultural products are not strict and powerful, so they can be easily ignored by middlemen without any severe punishment.
3. The lack of well organized cooperatives and other organizations of farmers to compete successfully with existing private marketing firms and thus force them to improve their marketing efficiency.
4. The lack of substantial requirements for any firm going into the marketing business, especially the wholesaling and exporting of farm products.

## Repercussions

Distrust. The general outcome of the anti-middlemen attitude is distrust among the various participants in the food production and distribution system which necessitates personal participation of middlemen in the transactions, and long and hard bargaining negotiations among the participants to come to agreement about the product prices.

Wide product output and price fluctuations. Farmers dissatisfied with middlemen may stop producing the product the next year, resulting in output and price fluctuations. This implies an irregular flow of food products to consumers, which is one of the important dimensions of market performance.

Misallocation of farm resources. If farmers, reacting in such situations, go into the production of those products which bear low risk but do not yield high farm incomes, farm resources will be misallocated.

Deterioration of product quality. While an agreement is negotiated between farmers and middlemen about product prices, product quality might deteriorate. For example, in 1977, while producers and processors of peas negotiated their final price, the peas lost their tenderness and thus became unsuitable for processing. For this reason, the peas in question were not purchased by processors. As a consequence, both producers and processors lost a considerable amount of income.

## Solutions

Since the anti-middlemen attitude of farmers (and government authorities as well) has negative repercussions upon the market performance of the various agricultural industries, the question which arises next is, What should be done to eliminate this attitude and improve the marketing system?

Certainly you cannot expect that farmers will stop having such an anti-middlemen attitude just by advising or educating them to do so. It seems that the most effective way to convince farmers to change their attitude towards middlemen is to improve the marketing system and benefit them accordingly.

To achieve this, certain measures must be taken, among which are: (1) educate middlemen how to do good business; (2) establish strict laws and regulations for the food distribution system, so that certain unethical tactics cannot be used; (3) organize an efficient agricultural information system which will contribute to improvement of the overall food marketing system; (4) take steps to reduce the marketing risk, so that middlemen can operate on a narrower margin; (5) help organize efficient marketing cooperatives, which will benefit farmers by performing the marketing functions more efficiently and by forcing middlemen to operate their business activities more efficiently; and (6) set certain minimum requirements for entering into the food marketing business, especially in exporting and wholesaling agricultural products.

Obviously, this research does not cover all the problems of middlemen. For this reason, it is worthwhile to continue to seek answers to the following important questions:

1. What marketing services do middlemen offer to the various participants in the marketing system as agricultural products flow from producers to consumers?
2. What is the cost of the marketing services offered at different seasons for each product?
3. How can the marketing cost be minimized through achieving economies of size in various marketing functions, such as processing and advertising; reduction of product deterioration by utilizing properly equipped transpor-

tation modes and other facilities (warehouses, for example); elimination of unnecessary marketing institutions or functions; better organization of the marketing system; greater labour productivity by employing well trained people and placing them in the right job; and use of advanced technology in the marketing process.

4. What are the behavioural characteristics of the middlemen and what are their repercussions upon producers, consumers, and society?
5. What are the options open to farmers in selling their products? Why do they have to deal with brokers?

#### OPENER'S REMARKS—Henry E. Larzelere

Since an anti-middlemen attitude is almost universal among farmers of both developing and developed countries, we can admit it readily. Whether there is some differentiation in the attitude toward various types of middlemen is more significant. The attitude may be a general concern for what happens between producer and consumer both in price and quality, or it may specifically refer to the individual agencies with which the farmer deals.

Kamenidis' study indicates a predominance of "brokers" under the classification of "middlemen" to whom farmers in Greece referred. Brokers in U.S. parlance function by arranging sales without taking title to or physically handling produce. Unless there is something lost in translation or in individual country custom, brokers are not the middlemen with whom farmers in the United States and numerous other countries have direct contact.

It is important that in universalizing the results of this study we know the functions of different middlemen. Furthermore, in any attempts to improve the performance of the middlemen in the eyes of farmers or others, whether by government agency or others, the target group needs to be specifically identified. Farmers in Greece or elsewhere would likely have varying opinions regarding different types of middlemen. Certainly the opinions of farmers regarding local traders with whom there is frequent contact would be different than opinions regarding an exporter who is seldom if ever known or contacted.

Twelve causes of the anti-middlemen attitude of farmers are listed in Kamenidis' survey. Each is pertinent in individual cases. The causes of farmers' attitudes toward individual middlemen can probably be summarized as resulting from perceived relative bargaining power between the farmer and the middleman. The farmer infrequently takes part in a bargaining exercise, whereas the middleman develops considerable bargaining skill by almost constant practice. Bargaining includes such aspects as opinions of quality and shrewdness in calculating premiums and discounts.

In addition I believe that farmers' attitudes toward middlemen in general are often fueled by politicians seeking scapegoats for low prices to farmers or high prices to consumers.

These attitudes may even go back to the physiocrat philosophy of several centuries ago when only product creators, such as farmers, were productive, and service creators, such as middlemen, were nonproductive. Service is in reality what middlemen create.

Many of the reasons listed by Kamenidis for middlemen behaviour are related to the political and physical situations in the area involved. The middlemen tend to make wider margins as the physical and political situations become more complicated or uncertain.

Middlemen in general tend to have a smaller proportion of their capital investment in fixed assets than is the case of farm production where land is a major asset. Such a situation provides middlemen with more flexibility in

changing operations to match the conditions which prevail, and such a situation frequently accentuates the dominance that middlemen may appear to have over the farmers.

Kamenidis listed four types of measures which might make the overall production and marketing system work efficiently. One, establishment of strict laws and regulations regarding the food system warrants some attention, but such a procedure can be overdone. Excessive measures can create the need for more service or paperwork to be performed by nonfarmers with larger margins needed by the middlemen. Two, an efficient and unbiased agricultural information system is highly desirable. Three, steps to reduce marketing risk should mean improvement of general conditions of transportation, storage, and processing. Four, creation of cooperatives is a worthy type of improvement. Adequate education of potential farmer members is essential, especially with the realization that a cooperative must be programmed to perform some or all of the middlemen's functions better and more efficiently than is currently being done, and with the realization that some of the services, costs, and margins of present middlemen cannot be eliminated by a cooperative. Education in management skills to direct the cooperative is a necessity where cooperative formation is contemplated.

#### RAPPORTEUR'S REPORT--Aloysius C. Nwosu

A major criticism of the paper, which echoed throughout the discussion, was that the paper is biased in favour of farmers; participants argued that the impression is created that the author shares the attitude of the farmers toward the middlemen. Greater objectivity could have been achieved if the author had gained a more balanced picture of the farmer-middleman interaction in the marketing process. This lack of balance not only limits the policy implications of the findings but raises questions about why farmers have continued to sell to middlemen and why other arrangements have not arisen to displace the middlemen.

Many participants stressed the fact that marketing has costs. A study of marketing costs, marketing margins, and profits of middlemen would therefore be required to present a more balanced picture. It was even suggested that the more relevant question should be, How would marketing be affected if middlemen withdrew their services, or if they were replaced entirely by institutions like cooperatives?

Finally, the general thinking seemed to be that there was the need to conduct similar research in other developing countries to augment the author's experience in Greece.

Contributing to the discussion were Glenn T. Magagula, S. Mbogoh Mubyarto, John M. Staatz, and Ken W. Stickland.