

Wholesale Market Management and Operations: a Critical Appraisal of Faisalabad Fruit and Vegetable Wholesale Market

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Abstract: The study was conducted to investigate the working of the Faisalabad fruit and vegetable market. The managerial, operational and planning aspects of market were thoroughly be thrashed and loopholes in this regard outlined. The market malpractices were common in the form of short weightment of produce, misquotation of prices, exploitation of farmers in debt and excessive charges on various services. Then there was hoarding, topping and under cover settlement of prices of produce transacted. It was estimated that the producer got up to 55% share in consumer rupee for selected fruits and vegetables. While studying different commodities the retailer share was found to be significantly higher as it ranged from 20-30% for the selected commodities. There was also a dispute among the commission agents on the allotment of shops that was obstructing the smooth functioning of the market.

Key Words: Wholesale Market, Pharia, Management, Operation, Marketing Margin

Introduction

The marketing system for agricultural products in Pakistan is fairly diversified. It ranges from marketing arrangements where private sector is free to operate to the significant Govt. intervention by way of price fixation and procurement of agri. commodities. However agri. marketing in private sector where prices are determined by the interaction of the forces of supply and demand except for wheat, cotton, rice, sugarcane and non traditional oil seeds and occasionally potato and onion, where Govt. fixes support prices. There are specialized Govt organizations which undertake procurement and distribution for said agri. products. The Govt. plays an important role in marketing system for agricultural products. The Govt. provides funds and requisite services for creation of facilitating functions, such as improvement of existing and establishment of new agricultural markets, market information services specification and enforcement of grades and standards specifically for exportable crops. Creation of facilities at market places and formulation and enforcement of rules and regulation for ensuring efficient market operations. Pakistan annually produces about 8.25 million tones of fresh fruits and vegetables (Agricultural Statistics, 1997-98). Except for a small part of produce retained at farm for home consumption, almost all these volumes have to pass through this system of wholesale markets in order to reach ultimate consumer. These whole sale markets are categorized into small rural markets, primary markets at the sub divisional level and central wholesale markets at district levels.

Traditionally, wholesale markets are established by the Govt. there are stereo type designs for the wholesale market. Commission agents are allotted/sold space for shops which they then constructs at their own on almost standard pattern. No space is specifically allotted to sub-wholesale or retail activity, which seems to be an essential component of sale and purchase inside the

wholesale markets. Resultantly, there are subletting and encroachment consequently causing overcrowding and congestion which are common at present.

The private sector also plays an important role in the management, operation and control of wholesale markets. The private sector in wholesale market system comprise of a number of institutions. However, for the growers, "Commission Agent" is the major institution because he is the person in direct contact with the growers at market places. There are many instances of charging higher marketing costs than are allowed under the law. These manly include chungli, thella, high rates of commission, and high interest on advances etc. the situation is further aggravated by congested and poorly organized market places leading to higher marketing costs and produce losses due to long waiting and delays. Market committees are the statutory bodies set up by the Govt. for the day to day management of wholesale market operations. Members drawn from the farmers, traders, market operators, consumers and Govt. nominee constitute a market committee. The Agri. Produce Market Act 1939 is the basic document, which has been amended from time to time by the provincial Govts. To suit to there respective socio-economic and political conditions. As a matter of fact the purpose here is to seek information on the working of Faisalabad fruit and vegetable market in the context of these allegations. The particular managerial and operational aspects along with physical facilities, trade practices, presence of public and private sector institutions and there role in identifying weaknesses confronting the efficiency of the wholesale market was thoroughly investigated

Materials and Methods

Research: The exercise had primarily undertaken on the following aspects of Faisalabad wholesale fruit and vegetable market which is one of the major markets in the province of Punjab.

- a Wholesale Market ownership and management.
- b Wholesale market operation and regulation.
- c Wholesale Market Planning.

Fifteen growers of major vegetables like onion, potato, cauliflower and fruits grapes, guava and banana were selected at random from amongst the producers who brought their produce in the Faisalabad wholesale fruit and vegetable market. Five pharias operating within the premises of market were also selected at random. Five hawkers and five shopkeepers purchasing fruits and vegetables from the Faisalabad market were selected again on random basis.

Interview schedules for each category were prepared, pre tested and filled in by personal interview method. Data then collected were edited, tabulated and analyzed by employing appropriate statistical tools for the purpose of calculating producer's share in the consumer's rupees. In addition, marketing margins of commission agents, pharias and retailers were worked out by employing relevant statistical tools.

Results and Discussion

The managerial, operational & planning aspects of the market are thoroughly thrashed & loopholes in this regard outlined. Results of the research study are presented in a systematic manner as under.

Market Organization: The organization of wholesale market largely depends on local socio-economic conditions and political situation of a given region. The market committee Faisalabad purchased the land for the establishment of new fruit & vegetable wholesale market in 1991. Commission agents were allotted space for the construction of shops to build on standard design. The ownership of auction platforms, parking places etc was, however, vested with the government.

The old Fruit & Vegetable Market Faisalabad which comprised of two blocks and stretched on an area of six acres was established during 1950's. The market was managed by commission agents through their Anjuman. The Anjuman was responsible for managing affairs regarding sanitation, cleanliness, lighting etc. in the market. The market committee, Faisalabad was made responsible for collecting market fee and license fee as provided under the standing relevant laws. The market became congested because volume of business / population of the town increased manifold during the past four decades. Market places became too filthy, unhygienic & caused a source of health hazards not only to the people operating inside the market, but also for those living in the surrounding areas as the market was located within the heart of the city. Although the old market was established to meet the fruit & vegetable requirements for small population of Faisalabad and surroundings areas during 1950's but after the expansion of the city and the growth of population, need for a new market was badly felt. After giving a careful thought a new fruit & vegetable market has been established in chak No. 245 R. B Jhang Road, on an area of 26.5 acres during 1990's with the financial assistance of Asian Development Bank. The Bank contributed about 85 percent of the funds (i.e. Rs60.8 million) for the purchase of land and development of basic infrastructure

inside the market. It was a soft loan advanced against 4 percent mark up. The repayment period of loan stretches over eighteen years with initial two years counted as grace period. The remaining 15 percent (i.e.; Rs.20.6 million) expenditure has been borne by the market committee, Faisalabad from its owned funds.

Commission agents are the individuals who sell fruits & vegetables through auction in the wholesale market by charging their commission. The commission agents are licensed under the Punjab Agriculture Produce Markets Ordinance, 1978 and have their own business places in the market. They receive consignments from growers for sale to pharias and retailers through auction and receive payments for their services in the form of commission fee. At present, about 275 commission agents were doing businesses in the covered auction platforms of the market. The pharias (sub wholesalers) purchased vegetables and fruits from commission agents in the market through open auction & subsequently sold that to the retailers generally in 'dharis' (5kg unit). Pharia's have no business place in the market, they are stationed on the road side & in front of the covered auction platforms. The commission agents charge rent from the pharias for providing space to them. Fifteen hundred (1500) pharias have been reported to be present in the new market.

The retailers also operate within the wholesale market. They carried their business on the roadside & generally sold fruits & vegetables directly to consumers. About five hundred retailers were reported to be operating in the market without seeking any approval from the market committee.

Market organization describes how the business operations organized to carry out the various functions involved in moving the produce from the producers to consumers at the time, place and in the form appropriate for consumption. About 70 percent of the respondents were dissatisfied with the provision of physical facilities in the market, 75 percent showed their concern over the worsening condition of cleanliness & hygiene inside the market. Almost 70 percent of the respondents were not satisfied with the facilities provided for the protection of commodities from severe weather conditions while 72.5 percent of the respondents opined that the provision of sanitation facilities in the market was far from satisfactory.

As for as the traffic situation was concerned, the response was also negative. About 22.5 percent regarded it good, 67.5 percent considered it poor and 65 percent of the respondents were not happy with the provision of storage facilities

Market Management: The management of the wholesale fruit and vegetable market Faisalabad is the sole responsibility of the market committee. The Government by its notification establishes a market committee for every notified area. Market committees all over the country were dissolved and the management of the wholesale markets placed under the control of administrators appointed by Government with effect from 1993. Faisalabad Market Committee was also dissolved in 1993. The management and operations of Faisalabad fruit and vegetable have been and are now

being run by a market administrator assisted by the staff of market committee. The difference between the present and previous management structure is that the market administrator has assumed all the powers of chairman market committee, however even under the new arrangement the working is more or less similar. Market administrator controls the wholesale market in the notified market area with the assistance of market committee employees. As such the market committee Faisalabad referred in the text should not be mistaken as the previous management structure as it represents the existing management under the administrative control of market administrator. The market committees performed various functions viz. use of market facilities, good conduct of market parties, adjudication of disputes arising out of market transactions, collection of charges and fees maintenance of the market premises and related facilities collection and dissemination of market information etc.

Almost 70 percent of the respondents viewed that rules and regulations were not implemented in their true letter and spirit by the market committee. Although the market committee issued and renewed licenses to various market functionaries allowing them to do their business in accordance with law. Almost 67.5 percent of the respondents viewed that licenses were issued but without adhering to the provisions of law. About 45.7 percent of the respondents opined that the committee did not provide required facilities (e.g. market support services) while 72.5 percent of the respondents were of the view that market committee collected market fee and other charges but they normally over charge it. Market committee were expected to be self financing units as their income mainly derived from the license fee and market fee levied upon various market functionaries. It may be noted that the market committee Faisalabad managed to earn about Rs. 12 million from market fee an amount which exceeded the target i.e. Rs. 10.5 million given to them for fiscal year 1997-98.

Market Operation: Different types of business activities were undertaken within the Faisalabad Fruit & Vegetable wholesale market. Amongst others, major business activities include selling, buying, storage and handling of the farm produce. A good road system and means of transportation are the basic pre-requisites for an efficient marketing system. Different means of transportation were adopted by the growers for bringing their produce in the market. About 70 percent of growers were using trucks, 15 percent Mazda van, 5 percent pickups, 5 percent trolley and remaining 5 percent used various other miscellaneous means of transport (rehra, cartload). Almost 70 percent of the respondents viewed that trade malpractices were common in the market, commission agents exploited both the buyers and the sellers by charging higher rates of commission and other unauthorized charges while 75 percent of the respondents opined that trading hours were not strictly followed by the various market functionaries. About 80 percent respondents held that damages or loss of produce as a result of poor storage conditions, rough handling of the produce or due to another reason were not compensated while 67.5 percent of respondents

informed that sufficient and correct market information was not provided to the growers and other market functionaries. Open auction was the common method of sales. However sales by negotiations through the commission agents (undercover bidding) was also practiced in the Faisalabad wholesale Market.

Commission agents charged @ 6 percent for vegetables and fruits from growers as compared to the 3.12 percent and 2.5 percent fixed by the Government. They were also charging Rs. 3-10 from buyers in case of fruits and vegetables which were illegal. In addition illegal charges like munshiana, mazdoor fund, masjid fund, Chung (practice of taking out 2 to 5 per crate / bag from buyers) were common. These results are in line with Riaz (1997) who had similar findings while studying the management and operations of wholesale markets.

Marketing margins, defined as the difference between the price paid to the first seller and that paid by the final buyer, depend considerably on the degree of processing involved, bulk, unit value and perishability. This margin tends to be higher for perishables like fruit & vegetables. Grower's gross share in consumer's rupees was 52.08, 55, 50, 48.88, 52.08 and 45 percent respectively for potato, onion, cauliflower, guava, grapes and banana respectively in Faisalabad wholesale market. The grower's net share was worked out to be 46.76, 49.31, 44.85, 43.14, 47.09 and 39.93 percent respectively for potato, onion, cauliflower, guava, grapes and banana respectively in the market. These results are in line with Asif Aziz (1990). According to him the grower's gross share in consumer's rupees was ranged from 50 to 60 percent for vegetables.

Wholesale Market Regulation: Agricultural Produce Market Act 1939 is the basic documents for control and regulation of agricultural wholesale markets in Pakistan. The act of 1939 was adopted in the Punjab province after partition. It was repealed by the Punjab Local Government Act, 1975 which was later replaced by the Punjab Agricultural Produce Markets Ordinance, 1978. Any person who works or wishes to work as a dealer in a notified market area must have a license issued by the market committee under the law. The enforcement of the law, however, appeared poor as significant number of persons without licenses was found operating within the premises of the market. As such 275 commission agents against 220 licenses and about 1500 pharias against 500 licensees were found operating. The market committee also overcharged the license fee. The committee charged Rs. 500 per annum from arhtis as against Rs.200 per annum fixed by the government. Similarly the pharias were also exploited in the same manner. They paid Rs.200 per annum as against Rs. 50 per annum fixed under the rules

Almost 80 percent of the market functionaries recorded that market committee employees over charged the license fee and 75 percent did not agree with the statement that satisfactory inspection and quality control measures were ensured by the competent authority. About 95 percent respondents opined that market committee did not have suitable arrangements for the disposal of solid waste and cleaning of the market. Almost 80 percent of the respondents viewed that

regular sale of unauthorized produce & encroachments were a common feature in the market.

Wholesale Market Planning: Wholesale marketing systems for fruits, vegetables and other fresh foodstuffs are often inadequate. They neither maximize benefits to producers nor to consumers. Experience demonstrates that substantial benefits can be gained by giving encouragement to the development of more professional approaches to the provision of marketing infrastructure where wholesalers can purchase produce from large number of growers and intern sell their purchases to retailers. Wholesale market planning and design activities involve project identification, prefeasibility, design development, project formulation feasibility and project implementation. (F.A.O.1991)

Many problems were noted in the old Faisalabad Fruit and vegetable wholesale market in this regard. Insufficient infrastructure, poor cleanliness and hygienic conditions caused problems of health to people living in the surrounding areas. No sanitary facilities, inadequate storage facilities, traffic problems inside the market as well as outside the market and inadequate arrangements of protection from sun were other important features of the old market. So under the given conditions it became imperative to establish a spacious new market in the outskirts of the city. Unfortunately, many important aspects were ignored while selecting the site for the new market. Political influence played a vital role inspite of the opinion of experts. This was a root cause for creating differences among the commission agents and they were divided into two groups. Almost all of the market functionaries were of the view that the new market was not located at proper place. It was located at a distant place from the city which was causing security problem and other related problems. Although large amount of money has been invested in the provision of infrastructure and other facilities in the market yet it still presents an ugly look. The dispute among the commission agents on the allotment of shops in the new market and also in the selection of site have resulted in the unavailability of major physical facilities like shops, banks, post office, restaurant, cold storage etc in the new wholesale market. Any type of construction can not be under taken without seeking approval of the court which has already issued a stay order in favor of the commission agents who are dissatisfied from the location of the market.

These problems clearly indicate that proper planning has not been done for the new market. The opinion of experts from various disciplines has either not been taken or due consideration has not been given to their opinion if taken. A poor market planning of Faisalabad Fruit and vegetable wholesale market is the root cause of imperfection in the working of the new market.

Suggestions

- The biggest problem of the new market is the stay order granted by the court. This has been obstructing the smooth functioning of the wholesale market. The disputes among the commission agents and administration must be resolved as early as possible so that the remaining physical facilities are provided in the said market. In this connection market committee administrators should play a vital role for setting the disputes with commission agents operating in the market.
- Security problem due to the location of the market in an isolated place must be solved as early as possible so that market functionaries can work in as free environment as possible. Pharias have no business place in the market. They do their business on the roads or in front of covered auction platform. They are compelled to pay the rents to the commission agents which are illegal. This practice should be stopped by the administrator of the wholesale market.
- Market organizations need improvement as there are inadequate infra structure, poor storage, poor cleanliness, no hygiene and sanitary facilities etc. The market committee should take effective measures to improve the situation. The market should be regulated properly in order to improve licensing, traffic flow, encroachments, solid waste disposal situation etc. This will benefit both the producer and market functionaries.
- In the present marketing system the retailer's net margins were found to be relatively higher. Effective competition to retailers through weekly marketing system (Itwar Bazars) may be created to reduce their margin. Growers should be encouraged to organize their own marketing out lets by setting up retail shops in the different localities of the city for the sale of their produce.

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