

## A REVIEW ON THE FACTORS THAT AFFECTING THE SELECTION OF MARKETING CHANNELS AMONG THE SMALL-SCALE FARMERS

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### ABSTRACT

*This study investigated the variables that affecting the selection of marketing channels (MC) among the small-scale farmers. Small scale farmers were defined as the farmers who have the land less than 2 hectares and have limited land. Small scale farmers also have limited information and poor technology. Hence, selects the right MC can improve their market information in fact increasing their sales and profit gains as well. Aims of this research are to identify the relationship between factors of that affecting the selection of marketing channel and the market selection decisions done among the farmers and to investigate the most preferred marketing channel by the farmers. The expected contribution of this study is to understand about the factors that affecting the selection of market channels. The author will indicate the past studies to find out the significant determinants of the MC selection. The research findings indicate that the key factors influence the selection of MC are categorized into farmer's related factors, products related factors, farms' related factors and market related factors. Meanwhile, the marketing channels involved are zero level MC, first level MC, second level MC and third levels MC. The author also can conclude that the most dominant factor that can affect the selection of marketing channel is the market related factors. The author recommended the engagement of the district Agriculture Office to help the small-scale farmers to market their production. The author also recommended the small-scale farmers to find the alternatives to promote their production itself with gaining a lot of knowledge to improve their quality of the production. The author recommended the best MC to the farmers is zero level MC because it gives more benefits to the farmers rather than the other level of marketing channels.*

Key words: Marketing channels, zero level marketing channels, first level marketing channel, second level marketing channel, third level marketing channel and small-scale farmers.

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### INTRODUCTION

Agricultural sector is defined as the sector that growing the crops, raising the animals and harvesting the fish. This sector employs around 1,570.3 thousand people of the total employment in 2018 and contributes to the GDP around 7.3 percent (RM99.5 billion) to the country (Department of Statistics, 2019). According to (Department of Statistics, 2020), from 2010-2019 GDP from agriculture in Malaysia averaged 23418.13 million.

### SMALL SCALE FARMERS

Small scale or smallholders farmers are defined as who have a small farm and lack of the advanced and expensive technologies. Small scale farmers also usually live at the rural area. They are also defined as a farm who have less than 2 hectares of cropland (Thamthanakoon, 2015). However, they played an important role to provide the agricultural production to the people while support the local economic's activities.

### MARKETING CHANNELS

In farm enterprises, marketing channel (MC) is one of the important elements whether the farm is small or large. MC is defined as the people, organizations and activities that need to transfer the production to gain profitability. It is the way of how the producer can get the end users of their production to gain profitability. It also can be called as distribution channel. According to Prachi, (2018), MC is a system that distributes the production from the producer to the end consumers though the multiple levels such as wholesalers, processors and middlemen.

### FACTORS THAT AFFECTING THE SELECTION OF MARKETING CHANNELS AMONG THE SMALL-SCALE FARMERS

The selection of the channel is a fundamental decision for the producer where the objectives, factors and impact for the decision have to be considered to ensure that the farmers will get the better result of the profit of the production. Thus, several past journals have been carried out to investigate the factors that affecting the producer's selection of distribution channel. Some initial literature review, Chirwa, (2009), Benedek Z, et al. (2014), Endri E, et al. 2020) focuses on these categories regarding the factors that affecting the choice of MC which are crop characteristics, market characteristics, household and farmers characteristics,

motivation, future plans, farming experience, selling price and also size of land. Those researches are according on the fruit and vegetables in Hungary (Benedek Z, et al. 2014), maize in Malawi (Chirwa, 2009) and vegetables in Ethiopia (Endri E, et al. 2020).

According Benedek Z, et al. (2014), the factors that affecting the selection of MC are farmer's specific characteristics, farms' characteristics, motivations and future plans. Farmers 'specific characteristics refer to the age, education, years of experience and also family background. These also support by the (Bongiwe G, et al. 2012) in their research that the factors that affecting the selection of MC are age, gender, education. For the farm characteristics include location, area size, product diversity, and number of employees. These also stated in the research by (Panda R. K, et al. 2012) that market infrastructure, storage facilities, groups or individual participation, guaranteed market and land ownership are factors that can affecting the selection of MC.

Meanwhile, (Soe, et al. 2015) states the factors that affect market channel are distance to market, education, farming experience, participating other jobs or business, selling amount, storage facility, transport facility and getting market information in their study on paddy rice farmers in Myanmar. From the considerable amount of published literature, (Thamthanakoon, 2018), categorized these factors into 4 groups which are (1) socio-demographic, (2) transaction specific variables, (3) relationship dynamics variables and (4) other variables (past behavior, goals and future plans). Age, gender, level of education, experience and household size, farm size, type of production, location, membership of farming groups, access to information and off-farm work are included in the socio-demographic. Transaction specific variables include price, cost of transportation, method of payment and platform offering. For relationship dynamics include trust, personal relationship and power while other variables include past behavior, goals and future plans (Thamthanakoon, 2018).

From the previous studies, there are many factors that can be considered on the selection marketing channels (MC) by the farmers depends on their crops or products. Thus, that factors will be categorized into four main variables by the author which is farmers' related factors, products related factors, farms related factors and market related factors.

### **Farmers Related Factors**

Characteristics of the farmers play an important in deciding the selection of the market channel. Some characteristics are age of the producers and education level of the producers (Thamthanakoon, 2018).

#### **i) Age**

As stated by Endri E, et al. (2020), age is continuous variable measured in years. Most of the farmers are old people around 40 years above. It because the young generation does not interested to the agricultural sector. According to the Chalwe (2011) in his research, the majority of small-scale farmers were those in the age group 41 to 60 years. Some of the farmers involve in the agricultural sector as their part time and also after they retire from their works.

#### **ii) Education level**

Education level of the farmers was investigated by getting the highest education a farmer attained in their life. This can be categorized into four categories which are never been to school, primary, secondary and tertiary school. Based on the research from Chalwe (2011), majority of the farmers are those in the primary school category.

### **Product Related Factors**

The nature and types of the products are an important to decide the market channel that suitable to use by the farmers to gain more profitability. As indicated by Suparna, (n.d), some of the characteristics of the products that might be considered. These characteristics are perishability and bulk and weight.

#### **i) Perishability**

Most of the agricultural products are perishability. Perishable products like vegetables and fruits that are easily to rotten. Thus, products it may requires short channel length as they cannot be stored for long (Suparna, n.d). Thus, these products are preferred to use direct marketing rather than indirect marketing. If the farmers choose the indirect marketing, many cautions that farmers and middlemen have to take into consideration to avoid the products become rotten.

#### **ii) Bulk and weight**

As studied by Endri E, et al. (2020), the farmers who were produced the production in a bulk and weight are preferred to sell through the middlemen. For example in their study on the "Factors affecting vegetable producers' market outlet choice in case of Habru District, North Wollo Zone, Ethiopia", the farmers supplied the tomatoes to the wholesalers and retailers, which accounted for 46/6% and 40.8% of sample respondent's tomato supply respectively.

### **Farm Related Factors**

The nature and size of farms also act as the important elements to choose the platform of the marketing. Some of the characteristics also might to be considered when choosing the marketing channel. These characteristics are size of land and distance to market (Mittal, n.d).

**i) Size of land**

Farm size or size of land is one of the factors that influencing the selection market channel. Usually, small-scale farmers have a small size of land compared to the large-scale of farmers. But not all the small-scale farmers have a small size of land. Thus, farmers who have a large size of land will produce high production and farmers tend to use direct marketing and also indirect marketing.

**ii) Distance to market**

According to Endri E, et al. (2020), distance to market is a continuous variable and measured in kilometres that producers are required to send the production to the nearest market. Distance to market means the location between the farm and the market. Distance to market includes these elements which are the infrastructure services variables, distances to the tarmac road, distance to a daily market, distance to the phone and distance to the post office (Chirwa, 2009).

**Market Related Factors**

According to Prachi (2018), market is the place where customers are served. Thus, it is one of the crucial factors that have to be considered. The factors are market size and quantity produced.

**i) Market size**

It refers to the number of the customers that available in the market segmentation. Farmers who have the largest market size in their area prefer to sell through direct marketing rather than famers who have smaller market size who prefer to sell to the middlemen.

**ii) Quantity produced**

According to Endri E, et al. (2020), they analysed that quantity produced is a continuous variable measured that can influence the decision on selecting the market channel. Farmers producing small quantities are likely to sell their produce to the direct marketing than selling to wholesaler or retailer outlet who purchase in bulk quantity. In their study, the quantity of mango produced determined the choice of wholesaler market outlet positively.

**METHODOLOGY**

The author carried out review paper by reviewing previous journals in order to analyse the results. The author analysed all the variables and summarized them into the four main categories which are farmers' related factors, product related factors, farms related factors and market related factors. From the past journals, other researchers had studied on the different methodology to get the result of the research. Thus, the author analysed all the result and compared the result to get the most preferred MC by the farmers and what is the most dominant factor that affecting the selection of MC.

**RESULTS AND DISCUSSION**

**Farmers Related Factors**

Under this section, age and educational background of the farmers were analysed and discussed in relation to determine the relationship between the factors that affecting the selection of MC and their decisions. These aspects are important because the farmer's activities are followed by the decision of the farmers by these aspects (Makhura, 2001 as cited in Jari, 2005).

**i) Age**

For the result, the age was not a significant influencing factor for the market channel choice based on survey of 991 smallholders in Mallowi for production of maize (Chirwa, 2009). As resulting by Endri E, et al. (2020), older farmers were more likely to sell their production directly to consumers. But, in some studies, the age has been identified as a significant factor influencing channel choice by farmers. For example, in Benin, the decision making was affected to the pineapple's farmer (Arinloye et al., 2015). Thus, age is not a dominant factor that can affect the selection of marketing channel.

**ii) Education level**

Education level can affect the decision of the farmers to select the marketing channel to sell their products. The educated farmers have access to up-to-date market information regarding the marketing channel (Arinloye et al., 2015). This can be explained by the Farmer and Betz study (2016) that found West Virginian farmers who a higher education had appeared to sell more directly to customers because trained farmers are typically more knowledgeable and risk takers. It is significantly and positively related to farmer's choice of marketing channel in the education level (Edoge, 2014). It is supported by Edoge, (2014), any further increase in farmers' educational level would increase the decision on marketing channel option. Since education offers an understanding of the dynamics of the market and can enhance marketing channel creation decisions, product selection.

## Products Related Factors

The factors of perishability of the products and bulk and weight were analysed and discussed in influencing the selection of marketing channel among the farmers. These aspects are important, because they can affect the product quality. Some studies found that the production factors were not significant to affect the selection of MC (Kumar et al., 2011; Zivenge & Karavina, 2012; Maina et al., 2015). Farmers who are intend to sell in a bulk and weight were more likely to sell to wholesalers or retailer (Abebe et al., 2016). Soe et al., (2015) rather than sell to middlemen Mabuza et al., (2014) or selling at farm gate to local collectors (Mabuza et al., 2014; Soe et al., 2015). It is because the farmers can save their time to sell all the productions. For the perishable products, the short transactions are recommended to the farmers in order to avoid the products were rotten. The farmers can choose zero level marketing channel or one level marketing channel to sell their products.

## Farms Related Factors

The section below gives an overview of the farm's related factors. Under this section size of land and distance to market of the farmers were analyzed and discussed in relation to determine the relationship between the factors that affecting the selection of MC and their decisions.

### i) Size of land

Edoge (2014) in his research mentioned there was a significant positive factor influencing fish farmer's choice of marketing channel at 5% significant level in his study in the "Determinants of choice of distribution channels by fish farmers in Ughelli North Local Government Area of Delta State, Nigeria". Then, it is a crucial to the farmers to select the right marketing channel. This result is in line with Zivenge and Karavina (2012) who suggest a positive relationship between farm size and marketing channel choice. This is argued by Chirwa, (2009) in their research determined although the size of land is positively associated with private traders and local markets, it is not significant in the choice of marketing.

### ii) Distance to market

Most of the farmers prefer to sell their farm outputs to the nearest market since they can cut the cost of the transportation. Farmers like to sell to the nearest market rather than middlemen because can get more profitability (Endri E, et al. 2020). Farmers who are far with the market were intended to sell through the middlemen because it can cut the cost of transportation. This is supported by Chirwa, (2009), the farmers that are far from the daily markets are likely to sell through the middlemen.

## Market Related Factors

The factors of market size and quantity produced of the farmers were analysed and discussed in the market related factors. There is a positive significant relationship between the selections of marketing channel among the farmers. It is supported by the study from Endri E, et al. (2020) in their study stated that the quantity of produced affected the choosing of the marketing channel. The result indicated that the farmers who were produced larger quantities preferred to choose indirect marketing which means selling through the middlemen. It is because the middlemen such as wholesalers or retailers might pay fair price and buy in bulk.

The author can conclude that the most dominant factor that can affect the selection of marketing channel is the market related factors. It is significantly influenced the selection of zero and first level marketing channel among the farmers. It is because when we want to sell something, the first factor that we must consider is the market factor. It is supported by the Endri E, et al (2020), stated that the market related factors such as quantity produced affected the choosing of the marketing channel. Zero level and first level marketing channel have their own benefits. These two types of marketing channels are cost saving as the farmers can sell directly to the customers and quality of the farm products can be well-guaranteed before it hands over to customers.

## CONCLUSION

As conclusion, the aim of the research is to point out the factors that affecting the selection of marketing channel among the small-scale farmers using the reviews from the several researchers. There are four main factors that has been highlighted in this study which are product related factors, farms related factors, market related factors and middlemen related factors. Each of the factors have their own characteristics that author has identified from past studies. In this study, the author has reviewed several types of distribution channels.

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