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## MINIMIZING THE ROLE OF MIDDLEMAN TO IMPROVE THE AGRICULTURE YIELD IN PAKISTAN

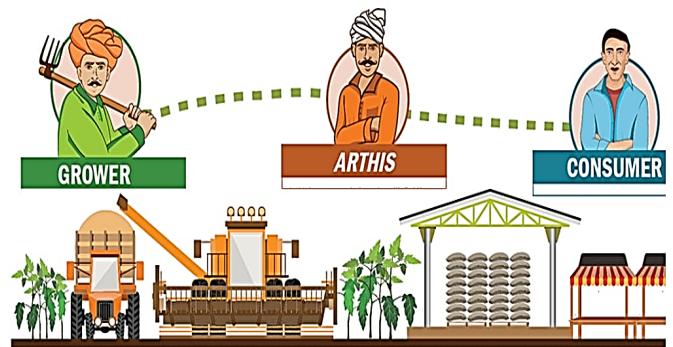
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The majority of the labor force in Pakistan is employed in the agricultural sector, which accounts for about 24 percent of the country's GDP.<sup>1</sup> Thus, it is impossible to disregard any challenge that stands in the way of its expansion. Ironically since ages, middleman, also known as 'Aarhti' in local language, is a persistent bone of contention between farmer's growth and agriculture yield. Subsistence farmers which comprise 90% of farming community have 48% of cultivated land share is directly dependent on Aarhti to avail crop inputs for their Rabi & Karif crops. Self-sustained farmers having 52% land share, are financially well-off and can purchase their crop inputs from open market or can dictate on their terms while negotiating with Artis (if required). The role of Middleman is having two sides of the coin as they are crucial because they connect farmers with traders and retail markets whereas, sometimes the ill practices by these Aarhtis cause disruptions in supply chain, causing inflation and farmers do not get their due share of profit resulting in poverty. Even in big countries like China<sup>2</sup> and India, the agricultural markets are run by middlemen and these individuals are often seen as one of the root causes of low earnings and stumpy standard of living of the farmers.<sup>3</sup>



The mechanism that is in place since ages is that the farmer due to his minimum education, knowledge and resources, is being provided with several services by the middleman. These services mainly include provision of finance, seeds, fertilizers, pesticides and other commodities necessary for the overall agricultural practices during the sowing season. Later when the crops are ready to harvest, the middleman or Arhti plays selling role during the harvest season by linking the producer (farmer) to consumer markets by facilitating transport of produce to the markets. In other words, the farmer is obligated to sell his crop to the same aarhti, and he has influence over the farmer's financial flow. As the latter supervises the revenues for what the former produces, the middleman has total influence over the farmer.

The reason why middlemen are preferred by small scale or subsistence farmers and wholesalers has also to do with commercialization. Farmers with little resources are the ones who participate in the middleman channel. They have fewer cattle units, smaller farms overall, and less money from selling other products. For underprivileged farmers, the availability of informal loans with flexible terms and no strict criteria for collateral is nothing short of a miracle.

The role of middleman may be of significance for the growers but on the contrary, few of the exploitative roles performed by middleman cause damage to the overall market and the farmer's income too. Two main exploitative steps include; first the disruption of steady flow of commodities from farm to markets as large quantities of produce is usually stored by the middleman in an effort to subsequently cause an artificial hike in prices creating huge fluctuations in the price of a particular commodity and secondly promote low quality seeds, fertilizers and pesticides which reduces the crop productivity.

### Disclaimer

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Government already has relevant processes, departments and policies in place designed to be farmer friendly but need improvement. Approx. all major banks like Zarai Taraqiati Bank (ZTBL), National Bank of Pakistan (NBP), Habib Bank Limited (HBL), United Bank Limited (UBL), Bank Al Habib, Faysal Bank etc. provide credit and loan facilities to farmers for agriculture, livestock and farm mechanization. Few hurdles in the process of acquiring finances from formal institutions like banks include complex loan application, high collateral requirements, limited access to banks due to lack of bank branches in some areas and high interest rate which narrows down the overall benefit of financing for the small-scale farmer. For technology based support, several digital apps like 'Bakhabar Kissan', 'Ricult Pakistan', 'Kissan Bazaar', 'Agri Smart', 'Kissan Dost' and 'Mandi Online' are there to provide information regarding crop cultivation, trading, weather, pests and diseases for future crop management. FinTech companies in Pakistan like JazzCash, Easypaisa, Finja, SimSim and CreditFix provide digital payments solutions for farmers provided they are educated enough to use them.

Food grain self-sufficiency necessitates proper storage facilities. The present storage facilities are inadequate on many levels for a significant rise in production in Pakistan.<sup>4</sup> Farmers in Pakistan have had little or no control over picking the marketplaces or customers to whom they will sell their produce for decades due to lack of storage facilities.

Punjab Government started working to eliminate and minimize the role of middleman in 2000. Since then various efforts have been made but all went in vain.<sup>5</sup> Recently, in 2021, Punjab Government made an effort to interlink Nearly 132 agriculture markets to ensure reasonable prices of crops to farmers but the results were not sustainable.<sup>6</sup> The middleman system is in place since centuries, so it is impossible to completely remove it. However, the exploitation can be controlled with strategic long-term planning of both financial resources and system integration. Farmers have varying opinions about Aarhi, too. Some farmers assert that aarhi provide assistance when things are tough. Others, while recognizing the financial assistance given during the crisis, express that these charges have extremely high interest rates.<sup>7</sup>

To boost per-acre production and feed our nation's rapidly expanding population, we must empower our farmers to inhibit their over reliance on the aarhi domination in markets. All issue cannot be handled entirely by the government. Market linkages and public-private partnerships should be encouraged for outsourcing

to yield better results. Efforts should be made to improve timely loan disbursement to small farmers with broader outreach through effective governance.

The authorities should make it simple and easy for farmers, including those in small towns, to get pure seed, fertilizer, and pesticides. Infrastructure should be improved linking the farm with market and beyond. Country wide technologically advanced storage facilities near farms should be created or the old ones can be updated to meet the requirements and avoid wastage, hence reducing reliance on middleman for market selection.

Facilitation centers with Government-Private Partnership basis should be established at union council level under one roof (Bank, Insurance, input suppliers, technical experts, and brokerage unit etc.). The Concept should be farmer friendly ensuring that all inputs are available of farmer's choice. In case of non-availability, facilitation center should ensure to provide farmers choice products from any resource.

Facilitation center should have a list of the service providers in various categories for the farmer to choose from. Services at doorsteps should be provided, ensuring pick-up of the produce from farmers doorsteps at the announced guided price, with certain service charges that may be applicable.

A transparent system must be in place utilizing all digital platforms for the process and operations with minimum human interference to avoid any manipulation, corruption or exploitation at any step. FinTech companies can not only facilitate farmers in getting timely loan but also provide crop inputs along with crop advisory services to enhance their farm productivity. Farmer awareness and training programs should be organized for familiarization and utilization of FinTech services. Government should buy farmer's crop at the end of each agricultural season at prices that have been publicly publicized. For this, buying centers should be located at each union council level to reduce the distance of farmer and markets.

The middleman acts as a liaison between manufacturers and consumers. Yet, it is believed in Pakistan that the facilitator's position might be a little exploitative and harms farmers' interests. Active policy measures should be adopted to facilitate farmers so that they could concentrate more in increasing the yield of their produce instead of wasting their valuable time in combating the exploitation of Middleman, thereby ensuring the food security of the country.

## References

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