

## Cooperatives Can Provide Solution to Unwanted Ubiquitous Middleman

Tuesday, March 07, 2023



*Customers select mangoes by the roadside at the Elburgon open-air market in Nakuru County on February 25.  
File | Nation Media Group*



By [Isaac K. Nyamongo](#)

Deputy Vice-Chancellor

The Co-operative University of Kenya

Recently, I stayed in a hotel in Kotrijk, Belgium, which served tea, coffee and chocolate sourced only from Fairtrade-certified farms. These products are so certified because, in their respective supply chains, Fairtrade ensure the farmers get fair returns from their labour by addressing the disparities in economic power through strengthening farmer cooperatives. It is one way to manage the disparity between the farm gate prizes offered by the ubiquitous middleman and market prizes.

A middleman is that person who buys goods from producers, for instance farmers, and sells them for a profit to retailers or directly to consumers. They help to facilitate exchange of goods between producers and others in the chain. Thus, they are an important group along the product supply chain.

But most of the time the smallholder farmer has suffered under the stranglehold of the middleman, who lives off their sweat. They work hard on the farm but the middlemen reap the benefits; middlemen have become the bane of the farmer and the cooperative.

In Kilifi, for instance, farmers work 365 days a year to tend their mango orchards. The mangoes mature at the same time, triggering a bloated market for the smallholder farmer, who is then left with rotting mangoes. Not knowing what to do or where to take their produce, a middleman emerges with a solution; namely, an offer to purchase the mangoes for a song, which, nonetheless, the farmer thinks is a godsend.

Carefully packed in crates, 24 hours later, the mangoes arrive in Nairobi and are sold at Sh35 each, with the middleman making a cool Sh30 per mango. So, for each mango sold, the farmer works 365 days, pays workers and gets Sh5 gross. The middleman works for 24 hours and leaves the market smiling with Sh30 net.

The space between the producer and the consumer is where the middleman dominates the game. Here is how it works. A middleman takes over the middle of the market supply chain and dictates the price of commodities to gain maximum profit while the producer gets little to nothing.

Often, they limit access to the market so that farmers don't gain knowledge of market operations. Knowledge is power, so the adage goes. They deliberately disempower the farmer by denying them critical information for making informed decisions.

### **Exploitative behaviour**

Why, then, does this relationship persist despite the exploitative behaviour of middlemen? The reason lies in the asymmetry between the producer and the middleman. The small-scale farmers are mainly poor and need credit to sustain their livelihood.

They occupy the lower rungs of the ladder. Lack of market information, distance to markets and the lack of an alternative makes them dependent on the middlemen to market their produce.

Where there are few buyers (middlemen) and many dispersed bottom-of-the-pyramid smallholder producers, the buyer has the advantage. It leaves the farmer with low bargaining power.

The antidote for the middleman lies in the cooperative. Recent studies have documented benefits to farmers when an intermediary is removed or the actors in the supply chain reduced. In Ethiopia, for instance, the gross profit for the farmer rose 225 per cent when the farmers eliminated the exploitative middleman from the supply chain. This is exactly what cooperatives are supposed to do.

By becoming 'middlemen' themselves, cooperatives shield the farmer from the lop-sided relationship with the middlemen. Through aggregation, they enhance their bargaining power and prices owing to economies of scale. It also reduces the cost associated with individual trading. Better still, the cooperatives are owned by the farmers. But the members must elect responsible leadership.

Instead of a middleman straddling the farmer and the market, the cooperative can play that role. This will address the power balance which favours the middleman. Under the umbrella of cooperatives, small-scale farmers have a bigger voice to bargain.

Middlemen cannot be eliminated but they can be managed. By making a cooperative a marketing vehicle, it can take advantage of information and communications technology to gain access to market information to expand the business beyond the local market.

*Prof. Nyamongo, an anthropologist and Fulbright Scholar, is a Deputy Vice-Chancellor at The Co-operative University of Kenya. [inyamongo@cuk.ac.ke](mailto:inyamongo@cuk.ac.ke). @Prof\_IKNyamongo*

**Article available at:** [Cooperatives can provide solution to unwanted ubiquitous middleman | Nation](#)

Nation Media Group © 2023