

Legal Pluralism in Traditional Societies: A Case of Agricultural Marketing Relations in Northwest Pakistan

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Abstract

One of the characteristics of traditional village system in the developing countries is the existence of plural legal systems governing social, economic, and political life of the populations. One such example is the prevalence of formal and informal marketing relations in traditional village system in northwest Pakistan. Changes in marketing structures overtime have led to transform the balance between prevailing formal and informal marketing relations. This paper analyzes the marketing relations in northwest Pakistan and changes in this relationship over time. The findings of the paper reveal that two types of regulative mechanisms co-exist in the area that govern the agricultural marketing system: the societal regulative mechanism and the commercialized regulative mechanism. The former is governed by the informal and personalized relations and the latter by new formal and commercialized relations. Due to the rapid influences of modernization and urbanization in the recent past, a shift has taken place from personalized relations to the specialized functional relationships. Despite a tremendous expansion in the new relations, however, farmers' switch-over rate is slow because of the functional efficiency of the new system having comparative advantages for the elite groups (progressive farmers) only. To hamper the expansion of potential social polarization in the wake of this imbalanced effect, the large groups of small farmers adhere to the traditional informal relations. Hence, the personalized marketing relations are still efficiently functional and have strong influences on the organization of farm-household relations. The paper concludes that in order to achieve rural institutional sustainability, a balance should be maintained in both personalized and commercialized networks of relations.

Keywords: Traditional village system; Marketing channels; Informal relationships; Commercialized relationships.

Introduction

Efficient market structures and relations are essential to accelerate economic development in a country. Markets offer households the opportunity to

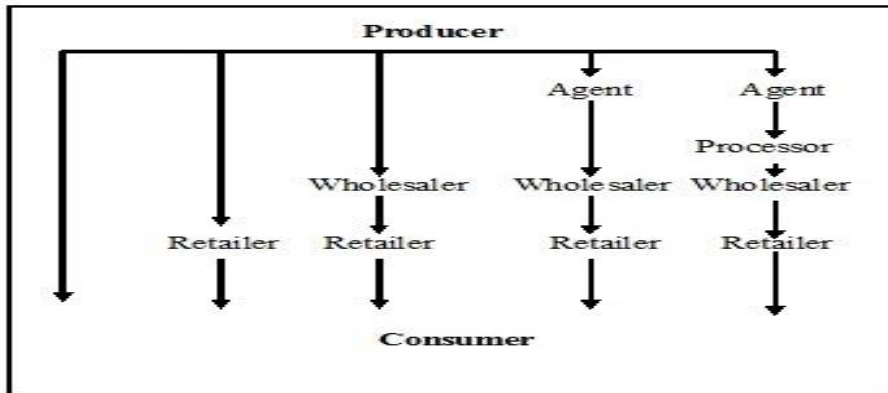
specialize according to the comparative advantage and thereby enjoy welfare gains from the trade. Recognition of the potential of markets as engines of economic development and structural transformation gave rise to a market-led paradigm of agricultural development during the 1980s (Reardon & Timmer, 2005). With participation in farm markets, household's disposable income increases, and so does demand for multiple goods and services (Staatz, 1994). The efficacy of farm markets primarily depend on the marketing relations prevailing among different stakeholders involved in the marketing system. In the traditional rural farm-based markets, two types of marketing relationships simultaneously exist; formal and informal marketing relations. The formal marketing relations are the short run relations which are based on economic and financial interests. The informal relations, on the other hand, are the longstanding, personalized set of relations which are based on social ties such as mutual trust and reciprocity (Manig, 1992).

Farm Markets in Peshawar

Drawing on the field surveys, the most important farm products in the research area are sugar cane, gur¹, vegetable, wheat, maize, milk, and fodder. For gur, vegetables, and even fruits, five large wholesale markets exists in the main city of Peshawar. All these markets are private enterprises. Other products such as milk, milk products, fodder are sold directly to the consumers at village or in Peshawar. There exists no formal market for cereals, which are marketed directly either in the village or sold to the dealers in Peshawar. The marketing of gur, vegetables, and fruits, however, do not take place directly but through commission agents. A number of commission agents dominate gur, vegetable, and fruit² markets (Jan, 2012). There exist plural marketing relations between producers and commission agents at gur and vegetables markets which will be discussed in the following sections.

Marketing Channels

Farm products are distributed to the consumers via marketing channels³ which may be more or less direct and are formed by the trading activities of the first-hand intermediaries, processors, wholesalers, and retailers, who buy and process raw materials and distribute finished products to consumers (Jan, 2007). Marketing channels begin with the producers and end with the consumers. The marketing channels in the study area are illustrated with the help of figure 1. The most important marketing channel for majority of the products is the commission agent. The second important channel is direct sale to the consumers in the same village. A small number of sellers directly sell their products to small traders in the village stores.

Figure 1: Marketing Channels for Selected Products in the Study Area

Source: (Jan, 2012; Haines, 1999)

The main purpose of this study is to analyse the existence of plural marketing relations in the traditional villages system of Peshawar.

Research Location and Data

The paper is a component of the study conducted by the author as part of his PhD research in 2005-06 in six selected villages in Peshawar, Pakistan (Annex 1). The villages included in the study are Gulbela, Kochian, Dalazak, Kukar, Mushtarzai, and Yousaf Khel. During the first phase, basic information about all household in these villages was collected through a semi-structured questionnaire. All the households were then separated as farm and non-farm households. Out of the farm households 20 households were randomly selected from each village. Thus the total sample size across six villages was 120. For data to be unbiased and highly representative, farm households were categorized based on land tenure system and other socioeconomic conditions. The selection of all households was made proportionately from each household category. Thus proportionate stratified randomized sampling technique was used to collect data.

Marketing Situation in the Area

The geographical, topological, infrastructural and social differences among the survey villages are important causes of heterogeneity in the cropping pattern and marketing products in the research villages (Manig, 1991). The difference in the village-wise specialization of farm products can be seen in the following sections.

Households Maintaining Marketing Relations

The global agricultural system is rapidly transforming from subsistence to commercialized farming system. Farmers are now producing for their own consumption as well as for marketing so that to increase their disposable income (Barrett et al. 2005). In the research area, farmers also produce for their own subsistence as well as for marketing purposes. Table 1 exhibits details of different farm products being offered for marketing. It is clear from the table that vegetable, gur, wheat, maize, sugar cane and milk are the major marketing products in the area⁴. The table shows that 28% farmers were involved in marketing vegetables. Most of the vegetable producers were owner operators with non-farm income. Followed by vegetable was 'marketing of gur' in which 17% of the total producers were involved. From the survey, it was confirmed that majority of the total gur producers were tenants who had rented in land from landlords. This category is predominantly present in Kochian and Gulbela which are under the influence of few selected landlords. Similarly, farmers involved in sugarcane marketing also mostly belong to these two villages.

Table 1: Household Maintaining Marketing Relations in the Survey Villages

Villages	Products Marketed								Total
	Veg.	Gur	S.cane	Maize	Wheat	Milk	Fodder	Others	
Kukar	5	0	2	3	4	7	6	0	27
Yousaf Khel	11	0	0	1	3	0	0	0	15
Gulbela	0	10	9	0	0	3	0	1	23
Kochian	7	15	5	1	4	3	0	0	35
Dalazak	8	3	3	9	11	1	0	7	42
Mustarzai	15	0	0	1	1	0	4	1	22
Total	46 (28.0)	28 (17.0)	19 (11.8)	15 (9.1)	23 (14.0)	14 (8.5)	10 (6.1)	9 (5.5)	164 (100.0)

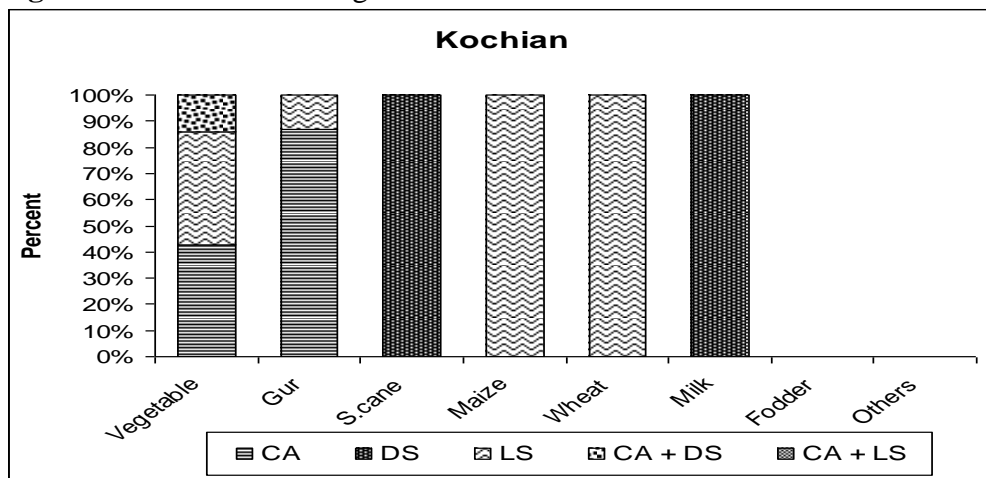
Source: Survey results, 2004-05

Marketing Channels for Different Farm Products

The farm products reach to consumers through different channels. Figure 2 exhibits village wise graphical representation of different channels through which farm products are conveyed to the end-users. In this paper, marketing channels for farm products are discussed for only two villages; viz., Kochian and Dalazk, primarily because of the marketing of vegetable and gur in case of which plural marketing relations exist.

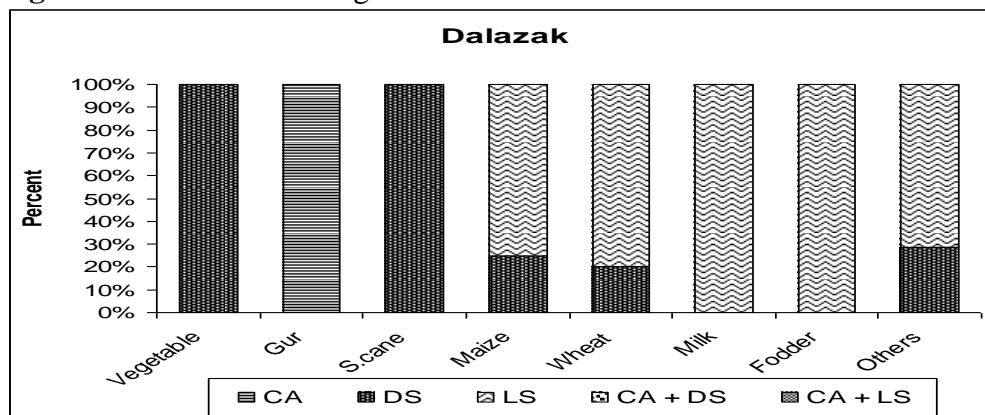
In Kochian gur, vegetable and sugarcane are the main marketing products. However, only gur and vegetable are marketed through commission agents. Farmers sell 88% of gur through commission agents in Peshawar. Some quantity of gur is also sold directly in the village either to the consumers or to the shop keepers for further sale. Vegetable is also an important product from Kochian. Almost 43% of vegetable is sold through commission agents. Besides, 43% of vegetable is sold directly to the main dealers who come to the village and buy the standing crop (vegetable) in the field and then market it by their own. The rest of the products like sugar cane, wheat, maize and milk take place through direct channels.

Figure 2.1: Channels for Agricultural Products Marketed in Kochian



Source: Survey results, 2004-05

Similarly, in Dalazak, the main marketed products are vegetable, wheat, maize, fodder and others. Vegetable and gur in Dalazak are marketed only through commission agents whereas all sugarcane is sold directly to the sugar mill. Similarly, 80% wheat and 75% maize are sold locally for seeds or consumption of the villagers and buyers from the nearby villages. The remaining wheat and maize is sold directly to the dealers in Peshawar. In Dalazak, reed which is used as roofing material is naturally grown on the water logged land, 71% of which is sold locally in the village.

Figure 2.2: Channels for Agricultural Products Marketed in Dalazak

Source: Survey results, 2004-05

From the above discussion, it can be concluded that the selection of marketing channels depends on the product specialization and the market place where they are sold. Vegetable and gur, which are sold in the main markets in Peshawar, are marketed through commission agents. Milk and sugarcane are marketed directly whereas cereals and fodder is mostly sold locally in the villages.

The Role of Commission Agent

As discussed earlier, a number of commission agents dominate vegetable and gur markets in Peshawar. There exist two types of regulative mechanisms in these markets that govern the marketing system; the societal regulative mechanism and the commercialized regulative mechanism. The former is governed by the informal and personalized relations and the latter is governed by new formal and commercialized relations. The relations of producers with commission agents at gur markets are mainly based on personal and social ties whereas the relations between producers and commission agents at vegetable markets are mostly based on financial terms. During the empirical field work, it was observed that more than one commission agents were proactively functional in both gur and vegetable markets. The choice of dealing with a single or multiple commission agents is based on some social and economic factors which the producer take into account while dealing with commission agents. Table 2 illustrates the number and percentage of farmers doing business with one or more commission agents.

Table 2: Producers Dealing with the Number of Commission Agents

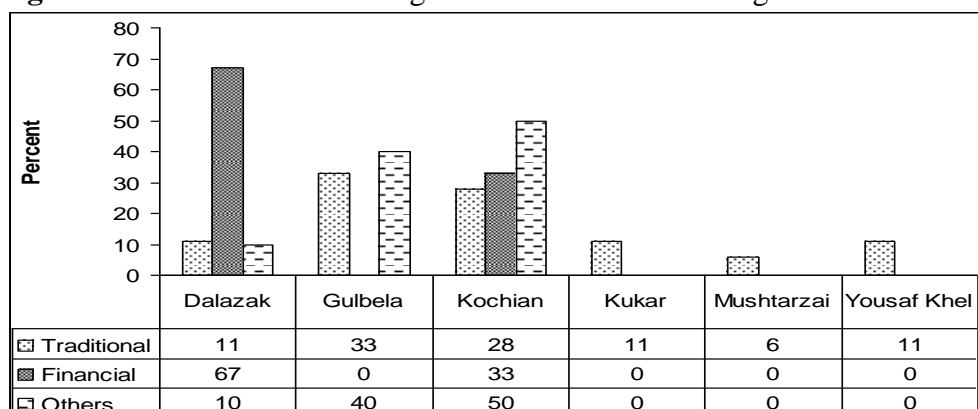
Commission Agents	Frequency	Percent
One	28	47.5
More	31	52.5
Total	59	100.0

Source: Survey results, 2004-05

The table shows a slight variation between the numbers of farmer dealing with one or more commission agents. As is clear from the table, 47.5% of farmers confirmed to be involved with only one commission agent whereas 52.5% of the farmers were involved with more than one commission agents. The reasons for dealing with one or more commission agents are discussed in the following sections.

Reasons for Dealing with One Commission Agent

The ultimate goal of all marketing activities is profit (welfare) maximization. Therefore, the choice of a particular or more than one commission agents is determined by the producers on the basis of social and financial returns. Figure 3 illustrates the reasons for dealing with one or more than one commission agents. Figure 3.1 shows the percentage of farmers in different villages who preferred to deal with one commission agent. The farmers were dealing with one commission agent mainly because of three reasons – traditional, financial, and others. In Dalazak, 67% of the farmers urged to deal with one commission agent merely because of the financial reasons. In Dalazak, most of the producers were marketing vegetables and their opinion was that one commission agent gives them higher prices than different agents. Another 11% farmers preferred to deal with one commission agent because of their traditional and social relationship with the commission agent. Similarly, 10% farmers were involved with one commission agent due to different other reasons like getting informal credit, landlord's obligations, etc.

Figure 3.1: Reasons for Dealing with One Commission Agent

Source: Survey results, 2004-05

In Gulbela and Kochian, 33% and 28% producers respectively were dealing with one commission agent due to traditional relationship. As we know farmers in these two villages are primarily gur producers, they prefer to deal with one commission agent because of the control of landlords. In Kochian, however 33% of the farmers preferred one commission agent because of the financial reasons. As vegetable is also produced in Kochian, therefore, the number of farmers who preferred to deal with one commission agent for financial reasons belonged to vegetable producing group. This shows that high degree of specialization occurs in selection of commission agents for different products. For gur, the selection of commission agents is mostly based on traditional ties whereas for vegetables, it is based on financial reasons.

The figure further shows that farmers doing business with one commission agent due to other reasons belonged mainly to Gulbela (40%) and Kochian (50%) which are gur producing villages. At the start of the growing season, the commission agents visit these villages and offer small farmers with seasonal loans to finance inputs. Similarly, the landlords also influence tenants to deal with a particular commission agent due to their vested interests.

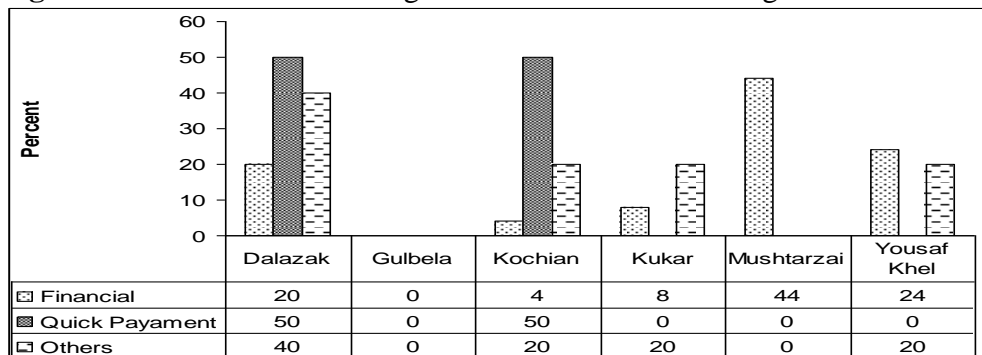
This shows that social relations and ties play a significant role on the production and exchange relations of rural people. The social linkage in the form of sharing festivities and the existence of the informal credit system bound the marketing agents into specific groups. Based on these two elements of the social system, the marketing relations are strictly defined and the

producers prefer to deal with one commission agents for traditional and other reasons (informal credit, social pressure from landlords), even sometimes ignoring the financial reasons.

Reasons for Dealing with More Commission Agents

The reasons for preference with one or more commission agents differ mainly by traditional or commercial ties with commission agent. The most important reason for dealing with different commission agents was based on financial preferences. From the field work, it was confirmed that farmers preferring business with different commission agents due to financial reasons mostly belonged to vegetable producing villages.

Figure 3.2: Reasons for Dealing with More Commission Agents



Source: Survey results, 2004-05

Figure 3.2 elaborates the reasons for dealing with more than one commission agents. The figure shows that 44% farmers in Mushtarzai and 24% farmers in Yousaf Khel were involved with more than one commission agents due to financial reasons. Similarly, in Kochian and Dalazak each 50% farmers reported to prefer more than one commission agents because of the quick payment.

By comparing the situation of farmers dealing with one or more commission agents, it is concluded that the impact of the social relations on the economic relation of the people in the traditional village system is quite high which causes considerable reduction in the pace of institutional changes in such societies. The farmers who preferred business with more than one commission agents belonged to the vegetable producing groups who are mostly owner operators with non-farm income. On the other hand, farmers dealing with one commission agent belonged to gur producing groups who are mostly tenants

(in other words traditional farmers). They have relatively less outer-orientation as compared to the mixed earning groups and are more under the control of the land owners. Therefore, they often sacrifice their economic interests for the social ones. In the traditional village system, the functional efficiency of the traditional social relations is high compared to the other societies, yet existing simultaneously.

Conclusion

The study shows that the most important marketing products in the area are gur, vegetable, sugarcane, milk, wheat, maize, and fodder. Gur and vegetables are marketed through commission agents whereas rest of the products is marketed through direct channels. The difference between marketing relations of commission agents with producers at gur and vegetable markets is based on economic and social ties. The gur commission agents place more emphasis on personal and social relations whereas the commission agent's relation with producers at vegetable markets is mostly based on financial terms. Based on the study it is concluded that although both types of legal system prevail in the area, a shift has taken place from one-dimensional and personalized relations to the specialized functional relationships. However, the resulting new formal-functional relations are still superimposed and dominated by the personalized networks of relations. This means that the deep rooted social relations of people in the traditional village system in the research area have strong influence on their marketing relations. It is recommended that a balance should be maintained in both personalized networks of relations and commercialized networks of relations so that to achieve rural institutional sustainability in traditional village system in particular.

Notes

¹A non-crystalline locally produced brown sugar.

²Fruits are not mainly produced in the research villages but brought from other part of the country to these markets; hence, are excluded from the main discussion.

³Marketing channels are defined as a set of interdependent business/organisations, which make a product or service available to intermediary and end users (Haines, 1999).

⁴Other important farm products being offered for marketing are sugar cane, wheat, maize, milk, and fodder. But all these products are marketed without involvement of any commission agent, hence, there exist no plural system, and are therefore, excluded from the main discussion.

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Annex 1: Map of Pakistan showing the Research Area, Peshawar.

Source: <https://www.google.com.pk/search?q=map+of+pakistan+showing+peshawar>