



UNIVERSITI PUTRA MALAYSIA

**EXAMINING FARMERS' MARKETING PRACTICES IN THE FRESH
FRUITS AND VEGETABLES (FFV) INDUSTRY**

NALINI d/o ARUMUGAM

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**DOCTOR OF PHILOSOPHY
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2010



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By

NALINI d/o ARUMUGAM

**Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia,
in Fulfilment of the Requirements for the Degree of Doctor of Philosophy**

August 2010



Dedication

This thesis dedicated to my beloved Amma and Appa



Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment
of the requirement for the degree of Doctor of Philosophy

**EXAMINING FARMERS' MARKETING PRACTICES IN THE FRESH
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Chairman: Associate Professor Eddie Chiew Fook Chong, PhD

Faculty : Agriculture

This study is to examine the farmers' marketing practices in the fresh fruits and vegetables (FFV) industry. It aims firstly, identifies the current marketing practices of FFV; secondly to determine the factors which motivate contract farmers to participate in contract farming; thirdly to identify the determinants of FFV farmers participating in contract farming and lastly to evaluates the nature of sourcing and procurement practices by FFV buyers (with a special focus on hypermarkets).

The study utilizes both quantitative and qualitative research. The study was conducted a survey on FFV farmers by using a structured questionnaire. The survey was conducted from April 2007 to July 2007 in populous states namely Kedah,



Kelantan, Terengganu, Pahang, Perak, Selangor and Johor in Peninsular Malaysia. The study utilized a random sampling method. A total of 208 FFV farmers were interviewed. One hundred and sixty seven FFV farmers were independent farmers and the remaining were contract farmers. As for the qualitative research, an in-depth interview was conducted with FFV buyers which include Malaysian Agrifood Corporation (MAFC), Mydin, Giant, ECONSAVE and UO Superstore to get insights on FFV buyers sourcing and procurement practices.

Factor analysis was carried out to identify latent factors that influenced FFV farmers in their participation in contract farming. The factor analysis uncovered five factors, as perceived by the FFV farmers, as reasons for their involvement in contract farming. These factors are: market assurance, access to marketing information and technology, transfer of technology to improve farming practices, access to inputs and indirect benefit. These factors, in sum, explained 76.8 per cent of the variance in the farmers' decision-making process. The FFV contract farmers also agreed that the new approach in marketing their produce not only increased their income and knowledge but also enhanced their productivity. Logit analysis uncovers seven determinants of FFV farmers' participation in contract farming. It was found that land ownership, farm size, education and perceived benefit were four determinants that positively influenced farmers' participation in contract farming. Complicated process, lack of opportunities and price risk were three determinants that negatively influence the farmers' participation in contract farming.

Several forms of sourcing and procurement practices for FFV produce were observed among the FFV produce buyers. These practices included: 1) Lead or large scale FFV farmers deliver FFV produce directly to supermarkets; 2) wholesalers directly deliver to supermarkets and 3) supermarkets' use of specialized sourcing and procurement agency such as FAMA. It was observed that supermarkets or hypermarkets do not have any contract agreement directly with farmers as well as any written document. FFV farmers deliver by arrangement. By buying directly from FFV farmers, supermarkets or hypermarkets by pass the middleman, enable them to obtain the supplies in cheaper prices. Supermarkets or hypermarkets buy in bulk and secured their supplies from wholesale market. This was mainly due to wholesalers' ability in supplying in bulk as well as deliver in the right time and quality. Buyers' criterions in choosing suppliers were volume, price, quality and formed relationship of trust.



Abstrak tesis yang dikemukakan kepada Senat Unifersiti Putra Malaysia sebagai memenuhi keperluan untuk Doktor Falsafah

**KAJIAN MENGENAI AMALAN PEMASARAN PARA PETANI DALAM
INDUSTRI BUAH-BUAHAN DAN SAYUR-SAYURAN SEGAR**

Oleh

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Kajian ini bertujuan untuk meneliti amalan pemasaran para petani dalam industri sayur-sayuran dan buah-buahan segar (SBS). Objektif khusus, kajian ini adalah pertama, untuk mengenalpasti amalan pemasaran SBS semasa; kedua mengenalpasti faktor-faktor yang mendorong petani menyertai kontrak perladangan; ketiga, mengenalpasti penentu yang akan menyebabkan para petani SBS menyertai kontrak perladangan dan keempat mengenalpasti kaedah perolehan SBS oleh para pembeli SBS (denga penumpuan kepada pasar raya besar).

Kajian ini menggunakan penyelidikan kuantitatif serta penyelidikan kualitatif. Bagi kajian kuantitatif, ia dijalankan dengan menggunakan borang soal selidik berstruktur, dilakukan dalam bulan April hingga Julai 2007, di negeri-negeri terpilih di Semenanjung Malaysia iaitu Kedah, Kelantan, Terengganu, Pahang, Perak, Selangor



dan Johor . Kaedah persampelan sejumlah 208 orang petani SBS telah ditemuramah. Dari keseluruhan 208 orang petani SBS, 167 petani SBS merupakan petani bebas manakala 41 petani merupakan petani kontrak. Kajian ini menggunakan kaedah persampelan rawak. Bagi penyelidikan kualitatif, satu temuramah yang mendalam dijalankan dengan pembeli SBS terpilih.

Analisis faktor telah dilakukan untuk mengenalpasti faktor yang mempengaruhi petani SBS yang menyertai perladangan kontrak. Analisis faktor menunjukkan lima faktor, sebagai punca kepada penglibatan mereka dalam perladangan kontrak. Faktor tersebut adalah kestabilan pasaran, akses kepada teknologi dan maklumat pasaran, pindahan teknologi untuk memperbaiki amalan perladangan, akses kepada input dan manfaat yang diperolehi secara tidak langsung. Analisis logit pula menunjukkan tujuh penentu kepada penyertaan petani SBS di dalam perladangan kontrak. Kajian menunjukkan bahawa pemilikan tanah, saiz ladang, pendidikan dan manfaat yang bakal diterima merupakan empat penentu yang mempengaruhi penyertaan petani secara positif dalam perladangan kontrak. Proses yang rumit, kekurangan peluang dan risiko harga merupakan tiga penentu yang mempengaruhi penyertaan petani dalam perladangan kontrak secara negatif.

Pembeli SBS menggunakan beberapa cara dalam memperolehi hasil SBS. Antaranya adalah, pertama membeli terus daripada petani SBS; kedua, membeli daripada pemborong; dan ketiga, membeli daripada agensi perolehan tertentu yang mendapatkan bekalan daripada FAMA. Kajian ini juga mengenalpasti bahawa tiada sebarang perjanjian bertulis ditandatangani antara para petani dan pembeli SBS.

Para petani menghantar hasil SBS melalui perbincangan. Para pembeli mendapat hasil SBS dengan harga yang murah daripada para petani tanpa menggunakan orang tengah. Pada masa yang sama, pasar hiper membeli hasil SBS daripada pemborong secara pukal untuk memastikan jaminan bekalan SBS yang cukup dalam pasaraya mereka. Bekalan SBS secara pukal, harga yang ditawarkan, kualiti hasil SBS serta kepercayaan merupakan kriteria-kriteria pemilihan para pembekal SBS oleh para pembeli SBS.

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Anbe Sivam!!!



I certify that an Examination Committee met on 18 August 2010 to conduct the final examination of Nalini d/o Arumugam on the Doctor of Philosophy thesis entitled “Examining Farmers’ Marketing Practices in the Fresh Fruits and Vegetables (FFV) Industry” in accordance with Universiti Pertanian Malaysia (Higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulation 1981. The Committee recommends that the candidate be awarded the relevant degree. Members of the Examination Committee are as follows:

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DECLARATION

I declare that this thesis is my original work except for quotations and citations, which have been duly acknowledged. I also declare that it has not been previously and is not concurrently submitted for any other degree at Universiti Putra Malaysia or other institutions.

NALINI d/o ARUMUGAM

Date: 18 AUGUST 2010

TABLE OF CONTENTS

	Page
DEDICATION	iii
ABSTRACT	iv
ABSTRAK	vii
ACKNOWLEDGMENT	x
APPROVAL	xii
DECLARATION	xiv
LIST OF TABLES	xviii
LIST OF FIGURES	xxii
LIST OF ABBREVIATIONS	xxiii
CHAPTER	
I INTRODUCTION	1.1
1.1 Background of Study	1.1
1.2 Agricultural Sector in Malaysia	1.4
1.2.1 Agriculture under the Ninth Malaysian Plan (9MP)	1.5
1.3 Overview of Fresh Fruits and Vegetables (FFV) Sector	1.8
1.3.1 Supply Situation	1.15
1.3.2 Marketing Channels	1.16
1.4 Historical Development of Contract Farming	1.18
1.5 Historical Development of Super-Retailer in Malaysia	1.20
1.6 Production and Marketing Issues in FFV Malaysia	1.24
1.7 Problem Statement	1.26
1.8 Research Questions	1.28
1.9 Objective of the Study	1.28
1.10 Significance of the Study	1.29
1.11 Structure of the Thesis	1.30
II LITERATURE REVIEW	
2.0 Introduction	2.1
2.1 Traditional Marketing System in Malaysia	2.1
2.2 Development of New Supply Chain in Malaysia	2.4
2.3 Definition of Store Retailers	2.9
2.4 An Overview of Super-Retailers Expansion	2.9
2.5 Potential Exclusion of FFV Farmers	2.12
2.6 Rapid Change of Super-Retailers Procurement Systems	2.13
2.7 Industrialization of Agriculture and Vertical Coordination	2.15
2.8 Contract Farming	2.20
2.8.1 Contract Farming Models	2.24
2.8.2 Advantages and Disadvantages of Contracts	2.26
2.9 Quality Standards and Global Agro-Food Systems	2.33
2.10 Conceptual Framework of Contract Farming	2.36
2.11 Studies on Contract Farming	3.39
2.12 Summary	2.44



III	METHODOLOGY	
	Introduction	3.1
3.1	Conceptual Framework	3.1
3.2	Research Design	3.3
	3.2.1 Data Collection	3.5
	3.2.2 Source of Data	3.6
	3.2.3 Sampling Size and Techniques	3.7
	3.2.4 The Questionnaire Design	3.9
	3.2.5 Exploratory Field Interviews	3.12
3.3	Method of Analysis	3.14
	3.3.1 Reliability Analysis	3.14
	3.3.2 Descriptive Analysis	3.15
	3.3.3 Chi-Square Analysis	3.15
	3.3.4 Factor Analysis	3.17
	3.3.5 Measure of Absolute Fit	3.20
	3.3.6 Logit Regression Model	3.21
	3.3.7 Model Calibration and Validation Process	3.25
3.4	Summary	3.28
IV	FINDINGS	
4.0	Introduction	4.1
4.1	Profile of FFV Farmers and Farming Practices	4.1
	4.1.1 Post Harvest Activities	4.8
	4.1.2 Quality Assurance	4.14
	4.1.3 Marketing Practices of FFV Farmers	4.18
	4.1.4 Pricing Information	4.22
	4.1.5 Source of Inputs	4.24
	4.1.6 Production and Marketing Problems	4.25
4.2	Comparing Independent Farmers and Contract Farmers	4.28
4.3	Perceptions of FFV Independent Farmers on Contract Farming	4.38
	4.3.1 Contract Farming Practices	4.41
	4.3.2 Cross-Tabulation with Chi-Square Analysis	4.49
4.4	Factors that Motivate FFV Farmers Participate in Contract Farming	4.54
	4.4.1 Measure of Sampling Adequacy	4.55
	4.4.2 Communality	4.56
	4.4.3 Varimax Normalization	4.57
	4.4.4 Eigenvalue Criteria	4.58
	4.4.5 Motivation Factors for Contract Farming	4.59
	4.4.6 Reliability Analysis	4.64
4.5	Determinants of FFV Farmers Participation in Contract Farming	4.65
4.6	Sourcing and Procurement Practices by FFV Buyers	4.69
	4.6.1 Malaysian Agrifood Corporation (MAFC)	4.70
	4.6.2 Mydin	4.76
	4.6.3 ECONSAVE	4.81
	4.6.4 GIANT	4.84
	4.6.5 UO Superstore	4.86

4.7	Summary	4.87
V	Conclusion and Recommendations	
	Introduction	5.1
5.1	Summary of Conclusion	5.1
5.2	Recommendations and Suggestions	5.6
5.3	Policy Implication	5.12
5.4	Research Limitations	5.15
5.5	Future Study	5.16
	REFERENCES	R1
	APPENDIX A	A1
	APPENDIX B	B1
	APPENDIX C	C1
	BIODATA OF STUDENT	D1
	LIST OF PUBLICATIONS	E1

