

The role of intermediary distributors in Balochistan Province, Pakistan <Part 1>

Overview of agricultural market distribution and major intermediary distributors

There has been much discussion of the roles played by each intermediary distributor in distribution channels, as various technological innovations have been introduced. While there is an argument that they are not needed, it is also true to say that they exist because they are needed. One role of intermediary distributors is to act as a bridge between producers and consumers. In rural areas of Africa and Asia, in so-called developing countries, there are many gaps in terms of quality assurance, payment terms and conditions, as well as the lack of roads and distribution facilities. Particularly in the handling of agricultural products, which are biological resources, intermediary distributors fill in these various gaps from production to consumption. Since 2019, AAI has been working on a technical cooperation project targeting Balochistan province, Pakistan. We obtained interesting findings about intermediate distributors through research of actors in agricultural distribution channels. In this issue, we would like to introduce the overview of agricultural market distribution in Balochistan province and consider the role of the intervention of intermediary distributors for farmers.

Agriculture in Balochistan province contributes to one-third of the province's total GDP, and about two-thirds of the labor force is employed in agriculture. A diverse variety of crops is grown in the region because of the complex topography and varying climatic conditions. The northern region of the province is also known as the fruit basket of Pakistan, with grapes and apricots accounting for more than around 90% of the country's production.

Balochistan province is one of the most famous fruit production areas in Pakistan, but the province is characterized as having fewer public markets for agricultural products than other provinces. While Balochistan occupies 44% of the total area of Pakistan, there are only two public markets, one in Quetta and the other in Nasirabad. In terms of distribution facilities, there are more than 500 cold storage facilities in Punjab and 25 in Sindh, whereas there are only a few cold storage and packaging facilities in Balochistan. In addition, because of the complex topography, the roads in different regions are notoriously bad and the accessibility to markets in the

province is very poor. Consequently, the majority of fruit farmers tend to sell their products to markets outside the province.

Next, agricultural distribution channels in Balochistan can be summarized as follows, taking fruit tree farmers as an example.



The pre-harvest contractor visits farmers during the flowering period and negotiates the amount of contract deposits and payment options. Once the contract is signed, the contractor will be responsible for all subsequent management of production, including pest management, fertilizer application, pruning, harvesting, packing, storage, and shipping. There are many advantages for farmers who do not have advanced farming skills, financial capital, or for those who prefer to minimize the risks of sales and weather conditions. The payment amount and terms to the farmer are set through negotiations, based on the wholesale market prices and taking into account the labor and the risks incurred by the contractor. On the other hand, some farmers produce and ship directly to wholesalers without relying on any contractors.

Another interesting actor is a commission agent, the most important actor in the distribution chain. On the upstream side of distribution channels, the commission agent provides financial support to pre-harvest contractors, procures agricultural materials, and lends money to farmers without requiring mortgages or paperwork. In the midstream and downstream, the commission agent is also involved in price and supply/demand adjustments in the wholesale market. Therefore, it can be said that they control the entire distribution channel.

Despite poor markets and distribution facilities in Balochistan, it is interesting that agricultural products reach consumers from farmers through the intervention of various intermediary distributors. In the next issue, we will discuss the role of pre-harvest contractor and commission agent in more detail and consider what their intervention means to farmers.