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THE ROLE OF MIDDLEMEN IN PRICE TRANSPARENCY AND AGRICULTURAL MARKET ACCESS AMONG SMALLHOLDER FARMERS

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ABSTRACT
This study explores the role of middlemen in price transparency and agricultural market access among smallholder farmers in Barangay Malabog, Davao City. Based on in-depth interviews with ten smallholder farmers, four main themes emerged: price inconsistency, dependence on middlemen, power imbalance, and coping strategies. Middlemen offers convenience and important services, such as quick cash, financing and access to markets, but they also continue exploitation and unclear pricing. Using Transaction Cost Theory, this analysis views farmers' dependence on middlemen as a smart choice to lower transaction costs, instead of accepting the unfairness. The findings suggest that institutions need to intervene to increase transparency, boost farmers' bargaining power, and improve direct market access for sustainable and fair agricultural development.

Keywords
Smallholder farmers, middlemen, price transparency, market access, agricultural practices, transaction cost theory

INTRODUCTION

Smallholder farmers play an essential role in global food production, contributing over 70-80% of the food consumed in Asia and sub-Saharan Africa (FAO, 2023). In the Philippines, the agricultural sector employs about 24% of the labor force but contributes only around 9% to the national GDP (PSA, 2023). Most of these farmers are poor smallholders in rural communities where some poverty rates are as high as 70%. Smallholder farmers often face several challenges that hinder their economic development. Due to inadequate infrastructure, little negotiating power, lack of market information and institutional support, smallholder farmers in most areas in Mindanao that grow high-value crops like cacao, bananas, and coconuts still mainly depend on middlemen. Although some digital platforms and cooperatives have surfaced, their reach is still restricted, and it is still unclear how they will affect pricing equity. In rural areas particularly in Barangay Malabog, Davao City, one of the major challenges farmers face are the lack of pricing transparency and limited access to markets. These issues are often worsened by their heavy reliance on middlemen, who control both the prices and the pathways through which agricultural goods to the market.

Middlemen are recognized by most farmers as crucial actors that facilitate the sale of agricultural produce, access to inputs and transportation of fertilizer and crops, in spite of negative views as money lenders (Sudrajat, J., Isytar, I., & Arifin, N. 2021). In some ways, middlemen engagement is convenient, but there may be unfair terms and exploitation. They serve as intermediaries between farmers and customers, and their involvement has both positive and negative effects on farmers (Odsinada, A., Hermosura, J., Vigonte, F., & Abante, M., 2023).

This study is anchored on several Sustainable Development Goals (SDGs), particularly SDGs 8, 10, and 12 (United Nations, 2015). SDG 8: Decent Work and Economic Growth, which aims to improve smallholder farmers' livelihoods by addressing unfair pricing and limited market access, SDG 10: Reduced Inequalities, focused on reducing inequalities, is relevant as the research seeks to examine the imbalance of power and profit between farmers and middlemen, which often leaves producers at a disadvantage. Lastly, SDG: 12: Responsible Consumption and Production, which advocates for responsible consumption and production, is supported through the study's focus on creating more transparent and equitable food systems that benefit both producers and consumers.

The findings of this study will provide insights into the realities of smallholder's relationship with middlemen, particularly on why they choose to sell their produce to them. It will highlight both the advantages such as convenience, immediate cash and financing, as well as the disadvantages including exploitation, lack of market information, unfair pricing and limited bargaining power. The study aims to investigate the role of middlemen in price transparency and market access on how these kind of relationship affects their livelihood. This study seeks to the promotion of fair trade practices, improved market participation, and strengthened rural livelihoods, ultimately supporting poverty reduction and sustainable agricultural development.

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Smallholder Farmers. This refers to small-scale farmers, pastoralists, forest-keepers, fisheries who managed areas varying from less than one hectare to 10 hectares of land, with an estimated monthly income between 1,000 pesos to 30,000 pesos. Most of their farming lands are family-owned, having been inherited or passed on from their parents rather than formally acquired. They are characterized by family-focused motives such as favoring the stability of the farm household system, using mainly family labor for production and using part of the produce for family consumption.

Middlemen. Local produce buyers act as middlemen between smallholder farmers and larger markets. They buy crops directly from farmers within the community. They set and change prices with little transparency. Sometimes, they offer informal credit or financing for input. This support helps farmers access the market but can also increase their dependence.

OBJECTIVES

This study aims to investigate the role of middlemen in price transparency and agricultural market access among smallholder farmers in Barangay Malabog, Davao City. Specifically, this study seeks to answer the following objectives:

1. To identify the challenges smallholder farmers encounter in their interactions with middlemen, particularly regarding price transparency and market access.
2. To examine the reasons smallholder farmers continue to rely on middlemen despite unfair pricing and limited access to formal markets
3. To explore the coping strategies adopted by smallholder farmers in response to pricing challenges and market constraints associated with middlemen.

METHODOLOGY

This study will employ a qualitative phenomenological approach to investigate the role of middlemen in price transparency and agricultural market access among smallholder farmers in Barangay Malabog, Davao City. Phenomenology is appropriate in this study because it aims to understand how people perceive and interpret their daily lives, especially regarding agricultural trade and market access.

The researcher will use purposive sampling in selecting ten smallholder farmers who regularly engaged with middlemen. Presented in Table 1 is the sampling frame of the study participants were five participants were from Sitio Nursery, and another five were from Sitio Balugo. Participants will be chosen based on predetermined inclusion criteria, including farm size of 1 to 5 hectares, age range of 20 to 70 years old, and a monthly income between ₱2,000 and ₱10,000.

Participants were asked to sign informed consent forms prior to the interview. Each participant was given the freedom to self-select into the study or to withdraw from the study without obligation. The researcher will use in-depth interviews in collaborating with the smallholder farmers to gather valuable information about their experiences and insights regarding their engagement with middlemen.

Table 1. The Sampling Frame

Study Participants	Number of Participants for In-depth Interview
Smallholder Farmers (Sitio Nursery)	5
Smallholder Farmers (Sitio Balugo)	5
Total	10

RESULTS AND DISCUSSIONS

Based on the interview transcripts, the findings are organized into key themes, sub-themes, and main meanings that came from the participants' lived experiences. Extensive interviews have been carried out, and the final text translation in to English has been performed with due care in order to preserve the initial concept. The data was then organized into themes at the first code level. This offers a clear understanding of how smallholder farmers view the role of middlemen concerning price transparency and access to agricultural markets.

It further examines the challenges encountered by farmers in their interactions with middlemen and explores the coping strategies they developed in response to pricing challenges and market constraints. Four major themes came from coding and grouping the meaning units taken from the verbatim interview transcripts.

Theme 1: Price Inconsistency and Lack of Price Transparency

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Most of the smallholder farmers consistently reported that pricing was neither fixed nor transparent. Transactions were based on verbal agreements, no clear contract and prices were often changed after the middlemen sold the produce in direct markets. Below are theis statements.

> Participant 1: "Sometimes the price was high, sometimes low. But the problem was there was no clear accounting—they would just take your produce. When they came back, the payment was short, and the price would be reduced. That's why it was bad."
>
> Participant 2: "They promise a certain price, you expect to receive that amount, but when they come back, the price has changed. Sometimes we are not paid at all."
>
> Participant 3: "They say it went down, we have no say in that because they already took the vegetables."

Theme 2: Dependence on Middlemen for Market Access

Participants highlighted their reliance on middlemen due to practical constraints such as transportation costs, market fees, and the need for immediate cash. Middlemen fill a critical market-access gap, but in doing so, they wield substantial control over the terms of trade. Below are their responses.

> Participant 4: "Because we have no other way to get money immediately we just sell it here. We need to buy food and we have payments now."
>
> Participant 5: "Expenses are higher if you sell on your own—transportation going there and back, and many fees at the market such as dropping fees, labor, table rental for display."

Theme 3: Power Imbalance and Perceived Unfair Pricing

The relationship between farmers and middlemen was characterized by a clear power imbalance. Farmers acknowledged that middlemen largely dictate prices, leaving them with little room to negotiate. This dynamic illustrates a monopsonistic or oligopsonistic market structure, where few buyers dominate. Financing from middlemen, while providing essential capital, often leads to tied relationships that limit farmer autonomy and bargaining power.

> Participant 6: "We couldn't sell to others because they were the ones who financed us. They would get angry."
>
> Participant 7: "Those who are regular suppliers receive higher prices, while those who are not receive lower prices."

Theme 4: Strategic Coping Mechanisms

Despite the challenges, farmers developed strategies to cope with and mitigate exploitation. Many engaged in side income activities to reduce reliance on farming alone. Their coping strategies are rational responses to market imperfections. However, these are largely individual adaptations rather than collective solutions, highlighting the need for institutional support to shift the balance of power more substantially.

> Participant 8: "That is why we have side jobs; we do not rely solely on farming."
>
> Participant 9: "We ask other middlemen and compare prices."
>
> Participant 10: "We farmers demand an increase—adding 2 or 5 pesos to the price because financing and fertilizer are very expensive.

The findings of this study reveal consistent patterns in how smallholder farmers navigate issues of price transparency and market access through their transactions with middlemen. Interview data highlighted recurring challenges: price inconsistency, limited market information, dependence on middlemen for market access, and

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weak bargaining power. These patterns indicate that farmers' decisions are fundamentally shaped by the costs and risks inherent in agricultural market participation. Analysis of these behaviors such as avoiding transport expenses, accepting unclear pricing, and relying on just verbal agreement, this align closely with the principles of Transaction Cost Theory (TCT). Consequently, TCT emerges as the most fitting theoretical framework for interpreting the results. It posits that farmers' continued engagement with middlemen is a rational strategy to minimize transaction costs, rather than an acceptance of unfair exchange.

CONCLUSION

Based on the findings, middlemen have dual roles in the agricultural market of Barangay Malabog, Davao City. They provide vital market access, immediate cash, and logistical support to smallholder farmers. However, their involvement also brings major drawbacks like price inconsistency, lack of transparency, and a power imbalance. Farmers depend on middlemen because of high transaction costs, few alternatives, and urgent financial needs. This dependency leads to exploitation and weakens their bargaining power.

The study concludes that smallholder farmers rely on middlemen to cut transaction costs. This reliance is a logical choice based on Transaction Cost Theory, not an acceptance of unfair practices. To encourage fair market participation and sustainable livelihoods, we need institutional changes. These changes should include better price transparency, collective bargaining platforms, and improved direct market access. Helping farmers reduce their dependence on middlemen will lead to fairer trade practices and in building sustainable agricultural community.

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