

JURNAL BUDIDAYA PERTANIAN

Volume 9, Nomor 1, Juli 2013

The Nature of the Relationship Between Farmers and Buyers in Waiheru Village, Ambon City M. T. F. TUHUMURY	1
Alternatif Pengelolaan Lahan Optimal untuk Konservasi Sumber Daya Air di Pulau Ambon A. JACOB	7
Eksplorasi Bakteri Endofit Sebagai Agens Hayati Pada Tanaman Kersen (<i>Muntingia calabura</i> L.) Ch. LEIWAKABESSY dan Y. LATUPEIRISSA	16
Potensi Produksi Beberapa Aksesori Kacang Tunggak Lokal [<i>Vigna unguiculata</i> (L) Walp] H. HETHARIE, M. L. HEHANUSSA, dan S. H. T. RAHARJO	22
Pengaruh Aspirin dan Air Kelapa dalam Media Pelestarian <i>In Vitro</i> Ubi Jalar Klon 421.34 J. K. J. LAISINA	26
Pemberian GA₃ dan Sukrosa Pada Pertumbuhan Vegetatif Gloxinia (<i>Sinningia speciosa</i>) Secara <i>In Vitro</i> I. J. LAWALATA	33
Pertumbuhan dan Hasil Tanaman Padi (<i>Oryza sativa</i> L.) Pada Berbagai Interval Waktu Pemberian Air dan Takaran Pupuk Organik A. S. MAHULETTE	39
Budidaya Tanaman Gandaria (<i>Bouea macrophylla</i> Griff) di Desa Hative Besar Kecamatan Teluk Ambon, Kota Ambon H. N. TAIHUTTU	43
Kerusakkan Tanaman Pala Akibat Hama dan Penyakit di Karloming, Kesui, Kabupaten Seram Bagian Timur J. PATTY	47

THE NATURE OF THE RELATIONSHIP BETWEEN FARMERS AND BUYERS IN WAIHERU VILLAGE, AMBON CITY

Maisie T. F. Tuhumury

Agribusiness Department, Faculty of Agriculture, Pattimura University
Jl. Ir. M. Putuhena, Kampus Poka Ambon 97233

ABSTRACT

Tuhumury, M.T.F. 2013. The Nature of the Relationship Between Farmers and Buyers in Waiheru Village, Ambon City. *Jurnal Budidaya Pertanian* 9: 1-6.

The challenge facing the vegetable industry is the inconsistency and unreliability of supply by the small holders in meeting the market demand and the stringent competition the industry faces from imported produce. There appears to be four factors contributing to inconsistency in quality and unreliability of supply: 1) Small size farming; 2) traditional methods of production; 3) limited or lack of finance; and 4) the poor infrastructure. However are these factors the only causes of inconsistency and unreliability of supply or does relationship between the farmer and the buyer also contribute to the problem? Thus the objective of this research is to investigate: 1) The nature of the existing relationship between the farmers and buyers; 2) The aspects of relationship need to change in order to improve the ability and the willingness of the growers to meet the needs of the buyers. Method used in this research was qualitative method with samples taken randomly as much as 30 farmer respondents and 5 buyers from the population. Data collected in the study were primary and secondary data. The data collected from the interview and observation was analyzed using content analysis. The results showed that 96.67% of the farmers who had transactional relationship with the buyers did not meet the buyers' requirement for consistency and reliability. This was because trust and commitment was not present. Alternatively, 3.33% of the farmers who had cooperative relationship with the buyers were able to meet the buyers' requirement consistently and reliably. They were more trusting and committed in their relationship. The farmers and buyers suggested on how to improve their relationship. Farmers in transactional and cooperative relationship wanted fair and honesty, open communication, on time payment and specific investment to be present in the relationship to grow trust so to build the relationship.

Key words: Farmer-buyer relationship, trust, commitment.

INTRODUCTION

The horticultural sub sector particularly the vegetable industry has great potential to be developed. However, there are some issues associated with its expansion. The challenge facing the vegetable industry is the inconsistency and unreliability of supply by the small holders in meeting the market demand and the stringent competition the industry faces from imported produce. There appears to be four factors contributing to inconsistency in quality and unreliability of supply: 1) small size farming; 2) traditional methods of production; 3) limited or lack of finance; and 4) the poor infrastructure (Daryanto, 2007)

The most important contributing factor behind farmers not meeting the needs of the buyers is the small farm size. In Indonesia, most farmers are small scale farmers. Normally, the land is divided among the members of the family and each member gets a portion of the land allocated. This trend means that the same piece of land that has been used by the father is then being shared or divided among the sons, which makes it even harder to expand in production to meet the market

demand. Thus the small holders only grow small patches of vegetables to sell and sustain their living and are not able to grow produce on the scale required to provide a continuous supply to the buyers.

The second contributing factor to farmers being inconsistent and unreliable in meeting the buyers' requirements is the use of traditional methods in growing fruit and vegetables. Many small holders have low level of education and with the introduction of new crops, new knowledge and skills have to be learnt in order to grow the new crops successfully. The knowledge of crop management in terms of pest and diseases control, the growing techniques and the correct use of fertiliser makes it even harder for small holders to adapt, thus their only option is to grow these new crops using their traditional knowledge which does not normally work out well. The end result of such a practice is low yield and poor quality.

The third factor that contributes to inconsistency and unreliability of supply is the lack of finance or limited finance. Most small landholders do not have sufficient finance to use in purchasing farm inputs such as seed and fertilisers to continue to grow vegetables and

supplying them constantly as required by the buyers. They mostly grow vegetables to sustain their living and do not farm as a business. The money they earn from sale of vegetables is being used to sustain their living and not saved to continue on in their production. As a result the farmer has no finance to continue producing and has to wait until he or she has enough finance to grow crops again. Often, the small landholder farmers are unable to obtain loans from the finance companies to fund their production, purely because they are small and are not trusted to repay the loan.

Finally, the poor infrastructure development in the country has been a drawback on farmers' performance in meeting the buyers' requirements. Inadequate road networks, transportation, storage facilities and central marketing depots have been some of the causes of the problem. The produce is often being transported via the public transport system. When produce is transported using the public vehicles, passengers and produce are transported together which means people sit on the produce causing more losses and reduced quality. The lack of storage facilities means that the produce from the farm would have to get to the customer on the day of harvest. This is impossible in the country which has inadequate transport and road system (Spriggs *et al.*, 2008). Spriggs *et al.* (2008), state that farmers preferred market depots where produce can be sold to a buyer at the depot instead of self marketing to distant markets.

It is obvious that the four factors discussed above contribute to the unreliability and inconsistency of small holders of fresh produce particularly vegetables not meeting the buyers demand as documented by various authors; however are these factors the only causes of inconsistency and unreliability of supply or does the relationship between the farmer and the buyer also contribute to the problem? Thus the objectives of this research are to investigate: 1) the nature of the existing relationship between the farmers and buyers; and 2) the aspects of relationship need to change in order to improve the ability and the willingness of the growers to meet the needs of the buyers.

RESEARCH METHODOLOGY

This research set out to describe and asses the nature of the relationship between vegetables farmers and buyers in Waiheru village, Ambon city based on farmers and buyers experiences, perspective and feelings. Therefore, the constructivist paradigm is the appropriate paradigm for this research.

Methodology related to constructivist research is usually described as qualitative. The methodology of this research was focused on constructing the understanding on the units of analysis that will be put in the framework of the study.

The approach used in this inquiry was to focus on a case study, informed by qualitative analysis of research issues. Within the case study, semi-structured interviews and participant observation are combined with the framework adapted from Morgan & Hunt (1994) to

assess the nature of the relationship between buyers and sellers in Waiheru village, Ambon City.

This research was based on the core qualitative inquiry as in the setting of vegetable farmers in Waiheru village to develop understanding about the nature of the relationship between buyers and sellers.

There were two kinds of data collection used in this research - primary and secondary data. Primary data was collected through face to face semi-structured interviews with respondents on a daily basis meeting in the field or the household or specific location and direct observation to investigate the nature of farmers' relationships with their most preferred trader. Direct observation was also employed to the research site to see the condition under which vegetable farmers interact with their preferred buyers. Observation also was used as a method for triangulation to cross check data obtained by other methods.

Secondary data was collected from other sources such as demographic data or market data from the specific institutions related to this research, administrative documents such as annual reports or project report from local government and will be used to support and analyse the findings and to 'shed further light' on the situation.

Farmer respondents were selected using simple random sampling as much as 30 respondents from the population. Five preferred buyers who have a relationship with these vegetables farmers in this village were also interviewed.

The data collected from the interview and observation was analysed using content analysis. The findings were analysed and put under the components of the model framework constructed in Fig. 1 adapted from Morgan & Hunt (1994) relationship model.

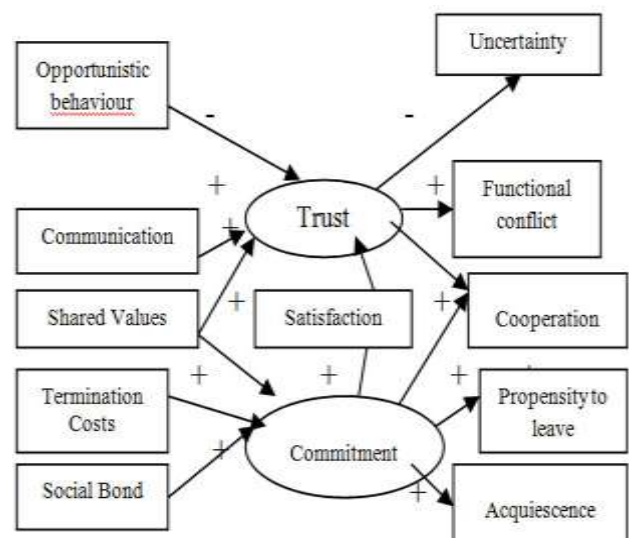


Fig. 1. Research Framework

The elements of this commitment-trust model then were discussed under the nature of buyer-seller relationships to find out whether trust and commitment are common exists in buyer-seller relationship or not.

RESULTS AND DISCUSSION

The nature of the existing relationship between the farmers and buyers

The nature of the relationships between vegetable farmers and buyers in Waiheru village was evaluated using content strategy based on both parties experiences and opinions about their relationships and was matched into the commitment- trust relationship model by Morgan and Hunt (1994) constructed from the presence of the antecedents of trust and commitment such as relationship termination costs, social bond, shared values, opportunistic behaviour, communication and power-dependence.

The results of this investigation showed that 29 growers have transactional relationships with their buyers and one grower have preferred supplier relationship with his buyer. These two types of relationships were constructed from the antecedents of trust and commitment which will be discussed below.

The relationships between the farmers and buyers in transactional relationships were weak. This was shown when all the antecedents of trust and commitment negatively affected the relationship outcome. Some of the common features that showed the relationships were transactional were: low level of termination costs (switching between many buyers or the probability of switching was great), the present of opportunistic behavior, poor communication, no shared values, no cooperation. The low level of termination was evident when a farmer who had transactional relationship with his buyer said; *'I will leave this buyer if I find another buyer who treats me well and offers me a better price'*. Farmers did not stick with one buyer and mentioned that they would sell to buyers who offer them good price. In addition, the availability of alternative buyers and lack of assistance makes it easier for the farmers to switch the relationships or less committed to the relationship. Most of the farmers said that they have many alternative buyers. One farmer said *"I have many buyers, more than 10 buyers and not permanent buyers"*. From the buyers' perspectives (4 buyers), termination costs are also low. They did not see the costs involved in switching from one farmer to another farmer since buyers after for farmers with quality vegetables and for those who accepted any price they offered. Buyers also had many farmers to trade with. Therefore, they purchased vegetables from any farmer they preferred. This leads to the decrease in the level of commitment. The relationships were built on individual benefits orientation by seeking a better price for farmers and seeking quality produce for buyers. The propensity to leave for these farmers and buyers was also related to the level of satisfaction experienced from the relationship. Transactional farmers and buyers did not feel satisfied with the existing relationships. As these farmers and buyers experienced low level of satisfaction from their relationship, the desire to leave the relationships was high.

Transactional farmers and buyers in this relationship had opportunistic behavior where farmers have shown aggressive behavior towards their buyers when their produce were rejected. This is shown when the buyer who deals with the supplier mentions *"I just let him to supply to me because I fear that he will do bad things to my business. He once started a fight with me"*. All farmers in transactional relationship often supplied poor quality produce by oversupplying and expected the buyer to pay for the extra produce supplied when the buy mentioned: *'The farmer is a local men and he just brings in any quality, sometime bad quality and demands that I pay him for the bad quality'*. Opportunistic behavior has also shown by buyers leading to the decrease of trust. The implementation of a 'couple of days' payment system instead of 'cash and carry' payment system resulted in the buyers acted opportunistically by delaying the payment from the agreed time. Furthermore, the buyers acted opportunistically by reducing the amount of vegetables and by reducing the price from the initial agreement as stated by one farmer *'Approximately, 2-3 times, my buyer does not keep her promise. She came to see my vegetables the day before and said she will buy 200 bunches and I harvested 200 bunches based on her order but when she came the next day she only took half of them'*. The buyers acted based on their self interests. The buyers rarely fulfilled their promise to the farmers and they acknowledged that other buyers also behave like them. They also did not being honest to the farmers by offering low price comparing to actual market price and the price in other villages or the price offer to other farmers.

Communication was poor between transactional farmers and their buyers. There was infrequent communication as buyers only visited growers in the field during the harvesting season. Farmers did not communicate openly with their buyers particularly about sharing price information. Most buyers did not share the actual price in the market to the farmers. Some of these transactional farmers obtained price information from their fellow farmers or directly from local market in town when they visited the market.

This study also found that most transactional farmers and buyers did not share values in the relationships. The farmers explained that the buyers did not share the value of honesty, fairness, keeping the promises, assistance and giving rewards.

Social bonding was not very common in the relationship although some farmers and buyers have a personal relationship. The social bonds have been categorized as weak for transactional farmers and buyers (29 farmers and 4 buyers) as no joint social activities are carried out in the relationship. Furthermore, the buyers did not assist the farmers or put any efforts in strengthening their relationship by making specific investments. Therefore their relationship was more like a business relationship rather than close personal relationship.

The second type of relationship that existed between farmer and the buyer was cooperative or

preferred supplier. All the antecedents to trust and commitment positively affected the outcome of the relationship. In this relationship, both the farmer and the buyer cooperated by meeting each other's need. The farmer cooperated with the buyer by supplying the quality and quantity consistently and reliably when the buyer states: *'This farmer cooperates with me by supplying quality produce'*. This made the buyer to trust this farmer and often called the farmer to get extra produce in which the farmer was a preferred supplier. Communication was good and propensity to leave for alternative partner was slim or non-existent for both partners when the buyer mentions: *'He is the best supplier and I do not want to leave him'*. Similarly, the farmer also confirms that their relationship is good when she mentions; *'I have been supplying very good quality produce to this buyer and I have a good relationship with him. I will not leave this buyer because it's my living'*.

However, the down side to their relationship was the present of opportunistic behaviour that existed in both the partners. The farmer acted opportunistically by supplying poor quality vegetables when the buyer states; *'The farmer supplied poor quality produce the last couple of orders which makes me unhappy'*. However, both the farmer and the buyer resolved their problem and wanted to continue in their relationship when farmer state *'Last month the buyer has dropped from my order which I was not happy and I have talked to him and we have talked about resolving the problem'* and buyer state *'We solved this problem by talking and we both agreed that he will continue to supply as usual provided he meets my requirement for quality'*.

Cooperative farmer and buyer experienced sharing values of fairness and honesty by giving a better price for the farmers based on the quality of the vegetables and by sharing information about the actual price and their goals.

Apart from the business contacts which normally take place during the harvesting time, they did have some joint social get-together events such as joint family special occasions. This buyer and the farmer have known each other personally. Moreover, this personal relationships existed between farmer and buyer was facilitated by frequent communication occurred not only during harvesting season but also on other occasions. Therefore, their social bond was strong. Multiple interactions make possible for social bond to grow.

The results are consistent with the literatures (Barratt 2004; Morgan & Hunt, 1994; Spekman *et al.*, 1998) Relationship determined the farmer's ability in meeting the buyers' requirement for consistency and reliability. The 96.67% of the farmers who had transactional relationship with the buyers did not meet the buyers' requirement for consistency and reliability. This was because trust and commitment was not present (Spekman *et al.*, 1998).

According to Morgan & Hunt (1994) relationship commitment exists only when the relationship is considered important meaning that exchange partners

can achieve valuable outcomes for themselves and they strive to develop and maintain the relationship. If in the relationship one party perceives its relationship with its exchange partner as important, level of commitment will increase (Dwyer *et al.*, 1987).

The termination costs were low for both transactional farmers and buyers. This showed that farmers and buyers can find any exchange partner who can offer more benefits to them and less committed to the relationship. As a result, the propensity to leave was high. Both farmers and buyers did not favor to stay longer in the relationship as they only after individual benefits such as a better price for farmers and quality produce for buyers and as they can easily find substitutes due to the availability of alternatives exchange partner. The propensity to leave for these farmers and buyers was also related to the level of satisfaction experienced in the relationship.

The buyers' opportunistic behaviour showed that promises and honesty were violated. Buyers' opportunisms will provoke retaliatory behaviour from the farmers as their trust was betrayed. Therefore, the farmers as the aggrieved partners will react with greater emotional intensity which will emerge conflict between them and trust will be lost. When trust is lost in the relationship, the aggrieved partners will seek to terminate the relationship or to limit their commitment to the relationship (Batt, 2003). Ting *et al.* (2007) and Dwyer *et al.* (1987) explain that opportunistic behaviour can bring feeling of uncertainty into the relationship. As opportunistic behaviour from a partner can reduce trust and create bad impressions to another partner, the uncertainty will occur. For example, in this case when buyers rejected farmers' vegetables or reduced the amount of vegetables from the initial agreement, there was uncertainty for farmers to earn money to make a living. Vice versa, if farmers did not supply vegetables based on the agreement, there was uncertainty in getting sufficient supply for buyers. However, trust which exists between few farmers and buyers can decrease uncertainty in the relationship. This is due to the ability to meet each other needs.

In Waiheru village, transactional farmers and buyers did not communicate frequently and openly. This ineffective communication might create uncertainty and misunderstanding in the relationship leading to the decreasing of trust. This shows that by building effective communication in terms of telling the problems facing by the buyers, farmers' understanding will emerge. Trust may grow in the relationships which can lead to conflict being resolved. If trust is low in the relationship, there is no open discussion to address the conflict. With trust undermined, farmers might withdraw from the relationship or limit their commitment to the relationship (Batt, 2003).

As transactional farmers experienced low trust and commitment in the relationships due to lack of shared values as one important element in developing trust and commitment, cooperation cannot be promoted in the

relationships. Farmers and buyers cannot share their mutual goals, benefits and risks together.

Wilson (1995) states that social bond is developed through multiple interactions between individuals. A less socially bonded relationship between transactional farmers and buyers can create a weak commitment to maintain relationship (Wilson & Mummeleni, 1986 cited in Wilson, 1995).

Adaptation occurs in the relationship due to high commitment. Social bond makes it possible for farmers and buyers to commit to the relationship. In the study of vegetable farmers and their buyers in Waiheru village, transactional farmers and buyers' commitment to the relationship was low. As a result, the level of adaptation was also low.

Alternatively, 3.33% of the farmers who had cooperative relationship with the buyers were able to meet the buyers' requirement consistently and reliably. They were more trusting and committed in their relationship. The effective communication between can supply valuable strategic and operational information and can communicate product attributes to the market. Information about markets can help the farmers in implementing effective logistical strategies by providing feedback on the existing systems and their effect on issues such as quality, cost and time to market (Gifford *et al.*, 1998). Without effective and open communication, the farmers remain unaware of consumers needs and wants and the buyers remain unaware of produce and services that are available from the farmers (Palmer & Weaver, 1998). Conflicts can be reduced and resolved if frequent and open communication was present. Trust may grow in this kind of communication.

Cooperative farmer and buyer were experienced sharing values of fairness and honesty by giving a better price for the farmers based on the quality of the vegetables and by sharing information about the actual price and their goals. When both parties acknowledged that their goals were being met, they will be motivated to maintain the relationship (Moller & Wilson, 1995). Cooperative farmers and buyers who experienced sharing value in their relationships can cooperate better. This is because trust and commitment exist in their relationships which make possible for them to share their mutual goals. They understand each other to make the transaction succeed.

Cooperative farmer and buyer saw that social bonding makes their transaction become more comfortable and smoothly. As this farmer and buyer have a strong personal relationship, their commitment to stay in the relationship is strong. This is supported by Wilson & Mummeleni (1986) cited in Wilson (1995) who state that a strong personal relationship occurred between buyers and sellers can create a strong commitment to maintain relationship rather than a less socially bonded relationship. The relationship will be continued as the interest between both parties is increased.

When both players commit to the relationship, the acquiescence will be positively influenced. If one party

alters their processes or item exchanged based on another party's requests and rules, it can be said that this party has made an adaptation process (Han & Wilson, 1993 in Wilson, 1995). This adaptation process will consolidate over the life of the relationship (Wilson, 1995).

Aspects needed to change in order to improve the ability and the willingness of the growers to meet the needs of the buyers.

Below are the suggestions from buyers and farmers on what they think should be changed or improved in order for the farmer to meet the buyer's requirement for consistency and reliability. To be able to increase trust and commitment, Twelve (12) farmers out of twenty seven (27) farmers suggested that the buyers should assist them with specific investments such as credits, production inputs or give advice about potential market demand. As one farmer stated *'My buyer can give me credits, so I can only sell to him'*

The specific investment also was suggested by 1 cooperative farmer and buyer. The buyer will try to invest to the relationship to ensure the farmers can only sell their produce to him and hope for the assistance from the government in order to provide knowledge and skills for the farmers to ensure that their investments can results in better production which meet their requirements. The specific investments from buyers force farmers to stay longer in the relationship as they have obligation to sell to specific buyers. Batt (2003) explains that relationship specifics investment have a positive impact on trust and then commitment. By making such investments, the incentives to maintain relationship can be created which increase the confidence and commitment to the relationship (Lohtia & Krapfel, 1994).

Ten (10) farmers suggested that the buyers should share market information and communicate frequently and openly. One said: *'I think open communication is better to improve our relationship. It will avoid conflicts between us'*. By communication, the information and knowledge can be exchanged in order to minimize certain types of risk associated with the transaction process between buyers and sellers as well as improving suppliers' credibility (McQuiston, 1989).

Four (4) farmers suggested that the buyers should be honest with them. They wanted the buyers to treat them fair and be honest in their dealings. This statement is supported when a supplier states; *'I want the buyer to be honest with me and stand on his word and not reject the produce'*.

Three (3) farmers suggested that the buyers should give payment on time. This related to the opportunistic behaviour came from buyers. By paying on time, farmers will trust their buyers and will be fine with the establishment of couple of day's payment system. However, the establishment of cash and carry payment system is more suitable to avoid the risks if the buyers cannot sell the whole produce in the market and cannot be able to pay the farmers.

CONCLUSIONS

1. The 96.67% of the farmers who had transactional relationship with the buyers did not meet the buyers' requirement for consistency and reliability. This was because trust and commitment was not present shown by the low level of termination cost, poor communication, no shared values, and less social bonds. Alternatively, 3.33% of the farmers who had cooperative relationship with the buyers were able to meet the buyers' requirement consistently and reliably. They were more trusting and committed in their relationship as shown by the high level of termination costs, good communication, the present of shares values, conflict being resolved and strong social bonds.
2. The farmers and buyers made suggested on how to improve their relationship. Farmers in transactional relationship wanted fair and honesty, open communication, on time payment and specific investment to be present in the relationship to grow trust so to build the relationship. Whereas cooperative farmer wanted the buyer to make specific investment to be able to supply produce consistently and reliably.

REFERENCES

- Barrat, M. 2004. Understanding the meaning of collaboration in the supply chain. *Supply Chain Management* **9**: 30–42.
- Batt, P.J. 2003. Building trust between growers and markets agents. *Supply Chain Management* **8**: 65–78.
- Daryanto, A. 2007. *The role and the development of horticulture through cluster approach and contract farming*, viewed 27 May 2013, <http://www.perhepi.org>
- Dwyer, F.R., P.H. Schurr, & S. Oh. 1987. Developing Buyer-seller relationships. *The Journal of Marketing* **51**: 11–27.
- McQuiston, D.H. 1989. Novelty, complexity and importance as causal determinants of industrial buyer behaviour. *Journal of Marketing* **53**: 66–79.
- Moller, K. & D.T. Wilson. 1995. 'Business relationships: an interaction perspective, In K Moller & DT Wilson (Eds), *Business Marketing: an interaction and network perspective*, Klower Academic Publishers, Boston, Massachusetts, pp. 23-52.
- Morgan, R.M. & S.D. Hunt. 1994. The commitment-trust theory of relationship marketing. *Journal of Marketing* **58**: 20–38.
- Palmer, S. & M. Weaver. 1998. *Information management*, Team leader development series, Oxford, Butterworth-Heinemann.
- Spekman, R.E., J.W. Kamauff, & N. Myhr. 1998. An empirical investigation into supply chain management: a perspective on partnership. *International Journal of Physical Distribution and Logistics Management* **28**: 630–650.
- Wilson, D.T. 1995. An integrated model of buyer-seller relationships. *Journal of Academy of Marketing Science* **23**: 335–345.