



# Investigating the Role of Rural Cooperatives in Marketing of Agricultural Products

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## Abstract

The purpose of this study was to investigate the role of rural cooperatives in marketing agricultural products in Mahabad city. This research was practical and descriptive-analytical method. In these study researchers for collect information used library and documentary and field studies. The sample population was 349 members of rural cooperatives in Mahabad city that selected by using cluster sampling method. The validity of the questionnaire was confirmed by a review of a panel of executive experts and faculty member in this field. The reliability of the questionnaire was also calculated by using Cronbach's alpha coefficient (0.91). Descriptive and inferential statistics were used to analyze the data. The results showed that supplying fuel, supervising and guiding and supporting members and providing counseling and guidance services about market issues to the members were the most important functions of cooperative companies. The results of Pearson correlation coefficients indicate that there is a positive and significant relationship found between the performance of rural cooperative companies and the marketing of agricultural products. The results of multiple regression analysis showed that about 43% of marketing of agricultural products changes are explained by the provision of services and advice, market regulation, support, and credit and loans.

**Key Words:** Role, Rural Cooperative, Marketing, Agricultural Products, Mahabad

## Introduction

The agricultural sector is one of the most important economic activities and requires coherent planning for development and countering economic, social and political crises (Karim, 2014). The cooperative sector is one of the most effective institutions and a positive step towards creating an appropriate space for increasing national resources, reducing unemployment, structural equilibrium and urban and rural development, and promoting the spirit of entrepreneurship. Cooperatives can be

considered as one of the main tools and solutions for expanding employment opportunities, increasing farmers' income levels, and increasing the productivity of the farm to accelerate the process of agricultural development (Haji et al., 2015).

Establishing a cooperative sector is cause to delivery various services and the production of various goods in agriculture sector (Sayehmeri et al., 2002). Rural cooperatives encompass a wide range of activities, as part of a dynamic and active agricultural

environment and a gateway to the agricultural world. These companies are able to overcome the malformations caused by the small, dispersed and heterogeneous crops, and many other shortcomings of the smallholder farmers and play an important role in the development of villages (Rasouliazar et al., 2016). Also rural cooperatives, as an effective tool can introduced in macro-development programs of the country (Heidari -Mokarar et al., 2013).

In Iran farmers are face to sell all their produce at harvest time, due to lack of access to the warehouse and financial inability, which also results in reduction in sale prices. These conditions provide the basis for services such as grading, packaging and converting agricultural products. This trend has led to the diversification of marketing activities in rural and agricultural cooperatives in many developed and developing countries and cause to increasing the income of their members. Today marketing plays an important role in domestic and foreign trade as a branch of economics, and it is increasingly important to expand the scope of domestic and foreign exchanges with a wide variety of goods and the variety of ways in which they are offered, as well as the expansion of producers of goods and services. (Tregear and Cooper, 2016). The market and marketing category has found a special place in agriculture today.

The farms and production units are often small, the volume of the product supplied to the market is small and the farmer has to sell his product to local buyers at a low price. Accordingly, the farmer's share of the consumer price is low, which reduces farmers' welfare and income and reduces production incentives.

Some farmers also have to sell their product to intermediaries at low prices. Due to the

fact that their cash balances are minimized at the time of withdrawal and they are also in difficulty to provide the necessary funds for their livelihoods. Another issue for farmers is that due to lack of access to the warehouse and financial inability to sell all of their produce at the time of harvest, this would also lead to reduction in prices (Hashemzadeh and Ahmadpour, 2018). This process has led, in many developed and developing countries, rural agricultural cooperatives, diversifying their activities into the agricultural marketing sector, which is one of their specific tasks. By facilitating the sale of products, they will provide the right route to increase the incomes of agricultural producers. Therefore, rural cooperatives, with the guarantee of the presence and development of rural participation have a valuable role in rural development.

Mahabad is one of the largest cities in West Azarbaijan province in Iran. The city consists of two urban centers (Mahabad and Khalefan) and two sections called central and Khalifan by 200 villages (Statistics Center of Iran, 2019). According to statistics released by the Rural Cooperative Organization of Mahabad, there are 9 rural cooperative companies with a membership of over 23,000 members activated in mahabad.

The researcher believes that rural cooperatives as one of the most important economic institutions in the rural community will succeed if they introduce the appropriate production methods to the members of the villagers' activity and to market the products of the villagers. A variety of research has been done in which a summary of their results has been presented. Amdadi et al. (2019) described the most important threats to cooperatives as "weak support of banks and cooperative unions of rural development cooperatives," the



problems of access to the appropriate market for agricultural products.

Hashimzadeh -Etwi and Ahmadpour, (2018) showed that the situation of the marketing system in the rural production cooperatives is not in the good and suitable position.

Heidari Mokarar et al., (2013) in their research shows that reasons such as lack of credit and financial capital of cooperatives, weakness in human resources (knowledge, skills, trust) are factors that affect the inability of rural cooperatives in optimal marketing of products Agriculture. Also socio-cultural factors especially mutual trust of villagers, are of great importance to rural cooperatives in order to improve marketing.

Haji et al., (2015) stats that rural cooperatives are suitable instruments for economic, social and development. The results of this research indicate that the social, economic, environmental and institutional factors have a positive and significant relationship with the sustainable development of agricultural production cooperatives.

Rezvani et al., (2013) showed that among the three identified factors included (socio-cultural structure, educational, specialty and skill, production health and quality of production), functional dimension-Behavioral (distance, transportation and maintenance, access) and structural dimension (price, demand, distribution, competition between intermediaries, external factors) in the marketing network is the most important factor in terms of different levels of analysis, factor Functional-Behavioral Marketing elements.

Firoozabadi and Hosseini (2011) showed that cooperatives are only active in the field of the purchase of guaranteed agricultural products. According to the results of the research, the lack of infrastructure facilities (cold storage, processing and packaging plants), lack of credit and finance of cooperatives, weakness in human resources

(knowledge, knowledge, skills), lack of clarity of communication supervisors and employees of rural cooperatives with members and weaknesses in the structure of administrative bureaucracy of cooperatives are main factors that influencing the rural community's inability to market agricultural products.

Kourdi (2010) in a research showed that rural cooperatives were affect product, distribution and promotion indices, but do not affect the price index.

Najafi and Farajzadeh research (2010) showed that rural cooperatives have little role in marketing the products of members, and the distribution of consumer goods and some inputs such as fertilizer is their most important activity, but despite most members want to sell their product from a rural cooperative channel based on privileges such as higher prices and secure sales.

Hazrati et al., (2010) state that studying the role of agricultural cooperatives in economic development in each region and identifying the possibilities and limitations in this area is important and can be effective in improving the performance of cooperatives and rural development.

Morgan and Vorhies (2003) and Song et al. (2007) have talked about that marketing capability helps a company to maintain its long-term relationship with customers and members of the channel more easily. Therefore, marketing capability creates a strong image of a brand in the minds of customers, allowing companies to perform better.

Also studies have shown that there is a significant relationship between the marketing ability of a company and its financial performance (Morgan & Vorhies, 2003; Song et al., 2007; Yu et al., 2013).

Nath et al., (2010) found that marketing capability has a significant impact on the performance of each business enterprise.

Morgan and Vorhies (2003) also concluded that the performance of a company was heavily related to its marketing ability.

Teerling and Pieterse (2010) have focused on multi-channel marketing. The authors state that governments are interacting with their citizens in various ways and helping them. The development of communication tools is one of the requirements for the development of countries and the development of e-government is the best opportunity for firms and people to use it in advertising, so that their purpose is to show the impact of advertising through the channels of state-owned electronic services.

Kaplan and Haenlein (2009) have focused on the role of public marketing in public places and considered the importance of this segment of marketing in advancing the goals of organizations.

Domegan (2008) in his findings was points to consider social elements in marketing and consider it as the most important pillars of marketing.

### **Research methodology**

The present research was a practical research, because its result can be used by the organization of agricultural Jihad and educational and research institutes. And also was a descriptive research and conducted by a survey method. In this research, the dependent variable was the marketing of agricultural products and the independent variable of the activities of rural cooperatives. The statistical population of this study consists of all members of rural cooperatives who live in Mahabad city (23345 members). The sample size was referenced to the Morgan table and the sample size was 370 people. A cluster sampling method was used to select the statistical population. In this study to collect information about theoretical foundations

and literature library materials, articles, books, and the World Wide Information Network were used. Also, for collecting data researcher-made questionnaires were used. In order to obtain the validity of the research tool, the views of professors and experts were used. The reliability of the questionnaire was also calculated using Cronbach's alpha coefficient (0.91). Descriptive and inferential statistics were used to analyze the data. In this research, descriptive and inferential statistical methods were used to analyze the data by using SPSS21 software.

### **Findings**

#### **Respondent's characteristics**

The results of the research showed that all respondents were male. The average age of respondents was 46.81 years, of which the youngest were 20 and the oldest was 68 years old. The results also showed that 41.6% of the respondents were under the diploma and 20.9% had a diploma, 18.9% had an upper secondary school degree, 10.9% had a bachelor's degree, and 7.7% had a master's degree. Analyzes indicate that most respondents in this study (38%) have university education. The findings also showed that the average age of respondents' membership in the rural cooperative was 18.18 years, with the lowest membership history of 1 year and the highest membership record of 38 years. Also, 45% of the respondents stated that they were active in agriculture, 26.1% gardening, 9.5% livestock, 3.7% poultry, 1.4% handicrafts and 14.3% other fields.

#### **Prioritizing the respondents' viewpoint about the performance of rural cooperative companies**



The results of prioritizing respondents' viewpoint about the performance of cooperative companies indicate that supplying fuel, supervising and guiding and supporting members of the cooperative, providing counseling and guidance services

about market issues were the main role of agricultural cooperatives in mahabad city (table 1). Other findings shows at table 1.

**Table 1: Prioritizing the respondents' viewpoint about the performance of rural cooperative companies**

Options	Mean	Sd	C.V	Rate
Supply of fuel	3.708	1.099	0.233	1
Supervision, guidance and support of members	3.798	0.960	0.252	2
Provide advice and guidance services about market issues	3.768	0.953	0.253	3
Supplying basic goods and consumables and importing inputs required by members	3.705	0.954	0.257	4
Organizing training sessions to meet the needs of members	3.619	0.944	0.260	5
The transformation of traditional agriculture into mechanized	3.633	0.957	0.263	6
The direct delivery of products to the market and diminishes the role of brokers	3.814	1.021	0.267	7
Helping to collect and sell agricultural products (wheat, peas, barley)	3.920	1.061	0.270	8
Establishing a storage, warehouse or refrigerator for products for members	3.845	1.044	0.271	9
Transfer science and technology to members	3.476	0.989	0.284	10
Providing credit and facilities to members	3.539	1.034	0.292	11
Help pay the facility	3.802	1.146	0.301	12

### Investigating the Relationship between the Role of Rural Cooperative Companies and the Marketing of Agricultural Products

The Pearson correlation coefficient test was used to investigate the relationship between the role of rural cooperatives and marketing

of agricultural products. The results of Pearson correlation test show that there is a positive and significant relationship found between the performance of rural cooperatives and the marketing components of crop production (Table 2).

**Table 2: Investigating the Relationship between variables**

Options	correlation coefficient	Significance level
Product	0.522**	0.001
Price	0.453**	0.001
Promotion	0.519**	0.001
Place	0.722**	0.001

\*\* P-value ≤ 0.01

### Investigating the Role of Rural Cooperatives in the Marketing of Agricultural Products

Multiple regression analysis was used to examine the role of rural cooperatives in agricultural products marketing. The results

are shown in Table 3. The significance level of the regression test is equal to 0.0001 and results of analysis of variance (ANOVA) was indicates that the selected model is significant. The results of regression analysis show that the role of rural cooperatives can significantly predict the marketing of agricultural products (p-value 0.01), as these relationships for the components of services and counseling, market regulation, support and delivery credit and loans are estimated. Accordingly, the regression equation will be:

$$Y=12.32+0.317x_1+0.435x_2 +0.611x_3 +0.387x_4$$

The coefficient of determination ( $R^2 = 0.431$ ) indicates that about 43% of agricultural product marketing changes are explained by changes in the components of the role of rural cooperatives (provision of services and advice, market regulation, support, and delivery credit and loans). Also, based on the standard beta coefficients in the table above, it can be claimed that the support component ( $\beta = 0.492$ ) has the highest effect on marketing of agricultural products, after which the components of delivery credit and loans ( $\beta = 0.325$ ) and contributing to market adjustment ( $\beta = 0.316$ ) are ranked in second and third (table 3).

**Table 3: Results of multiple regression coefficients**

Predictive variables	B	$\beta$	t	Significance level
constant number	12.32	-	8.63	0.000
Providing services and advice (x1)	0.317	0.282	2.952	0.003
Market Adjustment (x2)	0.435	0.316	2.252	0.001
Support (x3)	0.611	0.492	4.697	0.000
Delivery credits and loans (x4)	0.387	0.325	4.369	0.000
	R=0.656	R <sup>2</sup> =0.43	F=65.08	Sig=0.000

**Discussion and conclusion:**

The purpose of the establishment and formation of rural and agricultural cooperatives is to organize the villagers and farmers, and to create solidarity and strengthen the mechanisms of collective production and to participate in supply and distribution of products, and ultimately to strengthen the cooperative economy and the spirit of collective work and empowerment of the local community. Achieving to such goals requires the provision of good educational services by rural cooperative companies. Considering the study of the existing situation of rural cooperatives, it can be stated that rural cooperatives have

been active in rural area and have been providing various services in villages, so that these cooperatives will do their utmost to provide each service. Some scholars believe that by increasing social capital and trust among people, participation is expanding. The results of Pearson correlation coefficient showed that there is a positive and significant relationship between the performance of rural cooperatives and the marketing of agricultural products in Mahabad city. This means that as far as rural cooperatives perform, the marketing of agricultural products will increase. The result of this section of the present study is to match the performance of rural cooperatives with the components of quality, promotion and location (transport, storage and Maintenance and protection product) with



the results of Kordi research (2010), but with the result of the research, Heydari Makker et al. (2013) and Najafi and Farajzadeh (2010) are not the same. Because Najafi and Farajzadeh (2010) cited in their research that the services in Fars province cooperative companies were inadequate in terms of marketing and provision of inputs. The researcher concludes that the outcome of these two studies is related to the statistical society and the dominant culture in the research areas.

The researcher believes that one of the essential requirements for the transportation, picking up, storage and supply of products to the market is the plastic box in different sizes. Therefore the existence of the cooperatives will also increase the income of members. On the other hand, as many people participate more in rural cooperatives, marketing of agricultural products will increase as well.

Pezeshki-Rad and Yekanimehr Study (2001) also noted that production cooperatives have been able to increase the income of their members and to take positive steps in the distribution of inputs. Such as cooperatives have the best capacity to implement and manage participatory development initiatives and can respond appropriately to meet the needs and aspirations of the community. Also, these organizations have a vibrant effect in creating solidarity and cooperation in society and enhancing the human spirit to reduce poverty (Opera, 2002).

According to Rasouliazar et al (2016) the development plan will not be able to take advantage of other resources if it does not pay attention to three factors of education, public participation and organization. Hence, today the emphasis of the experts is on people-centered development, and they believe that people should be participation in all development activities.

The results of multiple regression analysis indicates that about 43% of agricultural

product marketing changes are explained by changes in the components of the role of rural cooperatives (provision of services and advice, market regulation, support, and delivery credit and loans). Therefore, the results of the study are consistent with some of the findings of the research by Haji et al. (2015).

### **Recommendations**

- Due to the fact that the transportation plays a key role in achieving the domestic and foreign markets of the products in this region, setting up the transportation company can be a quick access to the market is necessary.
- Considering the members of the rural cooperatives found that the second priority in marketing agricultural products is the component of providing credits and loans, therefore suggested that sufficient credit and on-time facilities delivery to members of rural cooperative companies.
- The lack of packaging and product processing products greatly reduces the possibility of marketing and sales of products, so the special attention of rural cooperatives to this sector can play an important role in product marketing.
- Producer farmers do not have enough information on the price of products on the domestic and global markets, and the network of cooperative organizations can inform them in this way by creating information networks and creating special sites
- Considering that in this study, about 38% of the respondents have academic education, therefore, it is required that in rural cooperative companies change the members of the board of directors and select young educated and motivated members.
- Considering that advisory and educational services are priority in marketing agricultural

products, therefore it is necessary to enhance awareness of cooperatives members.

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