

MARKETING INSTITUTIONS IN THE AGRIBUSINESS VALUE CHAIN: A LITERATURE REVIEW ON THE ROLES OF COOPERATIVES, COLLECTING TRADERS, AND TRADING COMPANIES

Ayyumi Khusnul Khotimah

Universitas Malahayati

ayu.khusnulkhotimah@gmail.com

Ayu Nursari

Universitas Malahayati

ayunursari@malahayati.ac.id

Lestari Wuryanti

Universitas Malahayati

lestariwuryanti@malahayati.ac.id

Abstract

Marketing institutions play a crucial role in shaping the performance and inclusiveness of agribusiness value chains, particularly in connecting producers to markets. This study aims to review the literature on the roles of marketing institutions, namely cooperatives, collecting traders, and trading companies within the agribusiness value chain. A qualitative approach was employed, utilizing a literature review design that drew on peer-reviewed articles indexed in Scopus and other reputable academic sources. The selected studies were analyzed thematically to identify key patterns related to institutional functions, market coordination, and value distribution. The findings indicate that cooperatives strengthen farmers' bargaining power through collective action and market coordination. Collecting traders reduce transaction costs and facilitate market access in rural areas, while trading companies enable integration into regional and global markets through logistics management and quality standardization. These institutions perform complementary functions rather than substitutive roles within the agribusiness value chain. However, the effectiveness of marketing institutions is highly dependent on the quality of governance, organizational capacity, and the policy environment. Weak institutional arrangements and imbalanced power relations may lead to unequal value distribution and limited market inclusion for smallholders. This study contributes to the agribusiness literature by offering an integrative institutional perspective on marketing functions within value chains. The findings provide policymakers and practitioners with valuable insights for designing strategies that strengthen marketing institutions and promote more efficient, inclusive, and sustainable agribusiness value chains.

Keywords: Agribusiness value chain, Marketing institutions, Agricultural cooperatives, Collecting traders, Trading companies.

Introduction

The agribusiness sector plays a pivotal role in the economy, particularly in developing countries, as it contributes to food security, job creation, and the growth of rural incomes. However, agribusiness performance is not only determined by production

activities at the farmer level, but also by the effectiveness of the value chain that connects producers to the market. In this context, the agribusiness value chain encompasses a series of activities and actors that contribute to the flow of products, information, and added value from upstream to downstream (Kaplinsky & Morris, 2001; Gereffi et al., 2005).

The agribusiness literature emphasizes that marketing institutions have a key role in determining the efficiency and fairness of value distribution in the agribusiness chain. Marketing institutions serve as a vital link between producers and markets, facilitating product collection, storage, transportation, financing, and distribution activities. The existence of effective institutions can reduce transaction costs, expand market access for farmers, and increase the competitiveness of agribusiness products (Williamson, 1985; Shepherd, 2007).

Cooperatives, particularly agricultural cooperatives and village unit cooperatives, have long been regarded as an institutional tool to enhance farmers' market bargaining positions. Through collective mechanisms, cooperatives have the potential to improve marketing efficiency, provide access to inputs and financing, and shorten distribution chains. Studies have shown that cooperatives can serve as a means of vertical and horizontal integration in the agribusiness value chain, although their effectiveness is highly dependent on governance, managerial capacity, and policy support (Ortmann & King, 2007; Bijman et al., 2016).

In addition to cooperatives, collectors play a crucial role as important actors in the agribusiness marketing system, particularly in rural areas with limited infrastructure and market access. Collectors play a role in connecting smallholders to the broader market through collection, informal financing, and risk absorption functions. Although often perceived negatively due to monopsony practices or information inequality, the literature suggests that collectors still have a functional role in lowering market barriers for smallholder farmers (Fafchamps & Hill, 2005; Barrett, 2008).

Medium- to large-scale trading companies and distributors play a crucial role in connecting agricultural products with regional, national, and global markets. These actors contribute to quality standardization, logistics management, and broader market integration. In the context of globalization and agribusiness modernization, trading firms are increasingly playing a role in coordinating value chains and implementing market standards, although they often pose challenges related to value distribution and inclusivity for small producers (Reardon et al., 2009; Trienekens, 2011).

Although various studies have addressed the roles of cooperatives, collectors, and trading companies separately, studies that integrate these three actors within a single framework of agribusiness value chains are still limited. Many studies focus on a single type of marketing institution without examining the relationships, complementarities, or power dynamics between actors. This gap hinders a comprehensive understanding of how marketing institutions collectively influence the performance of the agribusiness value chain.

Based on this background, this study aims to conduct a literature review on the role of marketing institutions in the agribusiness value chain, with a focus on cooperatives, collectors, and trading companies in connecting producers with the market. The study is expected to make a theoretical contribution by synthesizing institutional and value chain perspectives, as well as practical contributions for policymakers and agribusiness stakeholders in designing strategies to strengthen marketing institutions that are more inclusive and sustainable.

Literature Review

The literature on value-chain-based agribusiness places the marketing institution as a key element that determines how value-added, information, and coordination move from producers to consumers. The *value chain research* framework emphasizes mapping actors, product flows, and value creation points to understand who controls market access and how economic benefits are distributed along the chain (Kaplinsky & Morris, 2001). In a broader context, the global *value chain governance study* shows that the coordination and power structures between actors can shape the quality standards, supply specifications, and bargaining positions of small producers (Gereffi et al., 2005).

In the agribusiness value chain, one of the classic challenges is the transaction costs and limited market access experienced by smallholders. The agricultural marketing literature indicates that costs such as transportation, price information, post-harvest handling, and the risk of market uncertainty encourage farmers to use intermediaries to reduce transaction barriers, although the consequences can include lower prices at the producer level and limited *market transparency* (Shepherd, 2007). Empirical evidence also shows that the decision to sell through intermediaries versus direct to the market is greatly influenced by market distance, sales volume, and transportation costs, so that intermediaries act as "bridges" when direct market access is expensive or not feasible (Fafchamps & Hill, 2005).

Cooperatives as collective marketing institutions

Agricultural cooperatives are understood as institutions that can strengthen the position of farmers through bulk purchasing, quality standardization, input access, and strengthening bargaining power in price negotiations. Studies on cooperatives emphasize the function of cooperatives as a horizontal coordination mechanism that can reduce information asymmetry and increase the economic scale of smallholders. However, their effectiveness is greatly influenced by the quality of governance, management capacity, and the alignment of members' goals (Ortmann & King, 2007). In contemporary developments, the literature also underscores the dilemma between inclusivity and efficiency: as cooperatives become increasingly market-oriented and demand higher standards, cooperatives have the potential to become less inclusive of smallholders who are unable to meet quality/volume requirements (Bijman & Wijers, 2019).

In addition, cooperatives are often positioned as *value chain upgrading* instruments for small producers, especially when value chains begin to demand certification, consistent quality, and supply accuracy. Value chain analysis frameworks in developing countries

emphasize that upgrading requires the right combination of institutional support, resources, and partnerships to enable farmers to increase value-added and negotiate a fairer position in the chain (Trienekens, 2011). Thus, cooperatives not only serve as a "sales channel" but also as a learning organization that integrates technical services, market access, and organizational strengthening.

Collector traders as functional intermediaries

Collecting traders/assemblers are the dominant actors in the marketing of agricultural commodities in many rural areas, especially when infrastructure and access to logistics services are limited. The literature indicates that the role of collectors is often functional, as they provide rapid liquidity, informal financing, farm-gate product pickup, and price risk absorption and product spoilage all of which help farmers reduce transaction costs (Fafchamps & Hill, 2005). However, the literature also warns of the risk of inequality in relationships, especially when price information is unequal, or the market is characterized by oligopsony, which can suppress prices at the farm level (Barrett, 2008).

Conceptually, the discussion of collector traders is closely related to the issue of smallholder market participation. A review in *Food Policy* confirms that the transition from semi-subsistence to higher market participation is influenced not only by prices, but also by access to assets, transaction costs, and the existence of institutions/intermediaries that facilitate marketing (Barrett, 2008). Therefore, collectors are not necessarily synonymous with "inefficiency", but can be understood as an institutional response to structural constraints—although they still require strengthening market governance and transparency to make trade relations fairer.

In addition, cooperatives are often positioned as *value chain upgrading* instruments for small producers, especially when value chains begin to demand certification, consistent quality, and supply accuracy. Value chain analysis frameworks in developing countries emphasize that upgrading requires the right combination of institutional support, resources, and partnerships to enable farmers to increase value-added and negotiate a fairer position in the chain (Trienekens, 2011). Thus, cooperatives not only serve as a "sales channel" but also as a learning organization that integrates technical services, market access, and organizational strengthening.

Collector traders as functional intermediaries

Collecting traders/assemblers are the dominant actors in the marketing of agricultural commodities in many rural areas, especially when infrastructure and access to logistics services are limited. The literature indicates that the role of collectors is often functional, as they provide rapid liquidity, informal financing, farm-gate product pickup, and price risk absorption and product spoilage—all of which help farmers reduce transaction costs (Fafchamps & Hill, 2005). However, the literature also warns of the risk of inequality in relationships, especially when price information is unequal, or the market is an oligopsony, which can suppress prices at the farmer level (Barrett, 2008).

Conceptually, the discussion of collector traders is closely related to the issue of smallholder market participation. A review in *Food Policy* confirms that the transition from

semi-subsistence to higher market participation is influenced not only by prices, but also by access to assets, transaction costs, and the existence of institutions/intermediaries that facilitate marketing (Barrett, 2008). Therefore, collectors are not necessarily synonymous with "inefficiency", but can be understood as an institutional response to structural constraints—although they still require strengthening market governance and transparency to make trade relations fairer.

Synthesis and gaps in the literature

Overall, the literature shows that cooperatives, collecting traders, and trading firms have complementary functions in connecting producers with markets: cooperatives strengthen collective coordination, collecting traders lower transaction barriers in rural areas, and trading firms expand market integration and standardization. However, studies often address the three separately, leaving room for a more integrative synthesis of how the combination of marketing institutions shapes the efficiency, distribution of value, and inclusivity of the agribusiness value chain, especially under the pressure of market modernization and increasingly stringent quality standards (Reardon et al., 2009; Trienekens, 2011).

Research Methods

This study employs a qualitative approach with a literature review design to examine the role of marketing institutions in the agribusiness value chain, focusing on cooperatives, collectors, and trading companies. This approach was chosen because it allows for an in-depth and comprehensive understanding of the concepts, roles, and institutional dynamics discussed in previous studies. Research data sources are derived from reputable, Scopus-indexed scientific articles, academic books, and institutional reports relevant to the agribusiness value chain and marketing institutional topics. The literature search was conducted using keywords such as *agribusiness value chain*, *marketing institutions*, *agricultural cooperatives*, and *collecting traders*, with inclusion criteria that included peer-reviewed articles, thematically relevant content, and English-language publications.

Data analysis is conducted qualitatively through thematic analysis, which involves identifying the main themes related to functions, strategic roles, and relationships between marketing institutions that connect producers with the market. The analysis process includes the initial coding stage, thematic grouping, and critical interpretation of the literature findings to produce a conceptual synthesis. To increase the credibility and traceability of the research results, a literature review is conducted repeatedly, and comparisons are made between sources to ensure the consistency of the findings. The results of the analysis are then used to formulate an integrative understanding of how cooperatives, collectors, and trading companies contribute to the formation of agribusiness value chain performance and inclusivity.

Results and Discussion

Research Results

The results of the literature review show that marketing institutions have a strategic role in shaping the performance and structure of the agribusiness value chain. The three main groups of actors—cooperatives, collecting traders, and trading firms—have consistently emerged as links between producers and markets, with distinct yet complementary functions. The literature suggests that the effectiveness of the agribusiness value chain is significantly influenced by how the three institutions perform the functions of collection, coordination, distribution, and sharing of added value.

Agricultural cooperatives play a crucial role as collective institutions that can strengthen farmers' bargaining positions by incorporating production volumes, standardizing quality, and expanding market access. The study's results show that cooperatives managed professionally and oriented towards the market can improve marketing efficiency and reduce farmers' dependence on informal intermediaries. However, the literature also highlights that weak governance, limited capital, and low member participation often hinder the role of cooperatives in the agribusiness value chain.

Collector traders have proven to play a crucial role in rural contexts with limited infrastructure and market access. The literature indicates that collectors reduce transaction costs by offering collection services at the farm level, providing informal financing, and absorbing market risk. Nonetheless, farmers' reliance on collectors is often associated with information asymmetry and weak bargaining positions, which can lead to an uneven distribution of value in the agribusiness chain.

Trading companies play a role in connecting agribusiness products to regional, national, and international markets through logistics management, quality standardization, and supply chain coordination. The results of the study show that trading companies contribute to the modernization of value chains and increase market efficiency, but can also create inclusivity challenges for smallholders. Strict quality requirements and supply consistency are often barriers for small manufacturers to integrate directly with trading companies.

Discussion

The discussion of the study's results shows that the role of marketing institutions in the agribusiness value chain is complementary, not replaceable. Cooperatives, collecting traders, and trading companies each fulfill different functions according to structural conditions and market capacity. Cooperatives function as a mechanism of collective strengthening, collecting traders as functional intermediaries that lower transaction barriers, and trading firms as a link to high-value markets.

These findings reinforce a value chain perspective that emphasizes the importance of institutional coordination in improving efficiency and equitable distribution of added

value. Inequality in the agribusiness chain is not solely caused by the existence of intermediaries, but by weak governance, information transparency, and institutional capacity at the producer level. Therefore, strengthening marketing institutions needs to be directed at increasing organizational capacity, improving contractual mechanisms, and creating fairer and more sustainable trade relations.

Overall, these results and discussions confirm that improving agribusiness value chain performance requires an integrative institutional approach. Agribusiness development strategies that focus solely on production without strengthening marketing institutions have the potential to result in an inefficient and exclusive value chain. By understanding the roles and interactions of cooperatives, collecting traders, and trading firms, stakeholders can design policy interventions and market strategies that are more adaptive to the needs of smallholders and the dynamics of modern agribusiness markets.

Conclusion and Implications

Conclusion

This study concludes that marketing institutions have a strategic role in determining the performance and inclusivity of the agribusiness value chain. Cooperatives, collecting traders, and trading firms serve as the primary link between producers and markets, playing distinct yet complementary roles. Cooperatives contribute to strengthening the bargaining position of farmers through collective mechanisms, thereby lowering transaction barriers at the rural level. Meanwhile, trading companies expand market integration and encourage product quality standardization. The interaction of the three institutions forms the flow of values, information, and coordination in the agribusiness chain.

Furthermore, the findings of the literature review indicate that the quality of governance, organizational capacity, and policy environment have a strong influence on the effectiveness of marketing institutions. Weaknesses in one institution do not necessarily reduce the overall performance of the value chain. However, imbalances in roles and relationships between institutions can widen the inequality of value distribution at the producer level. Therefore, strengthening the agribusiness value chain requires an integrative and contextual institutional approach, rather than simply eliminating or replacing the role of intermediaries.

Implicasi's theorem

Theoretically, this study enriches the agribusiness and value chain literature by affirming the importance of institutional approaches in understanding the dynamics of agricultural marketing. This study demonstrates that marketing institutions cannot be understood in isolation, but rather as part of a system that interacts with one another to shape efficiency, value-added distribution, and market access for smallholders. Thus, these findings expand the perspective of *value chain analysis* and *institutional economics* by positioning cooperatives, collectors, and trading companies as complementary actors in the agribusiness chain.

Furthermore, this study provides an opportunity for further research to develop an empirical model that examines the relationship between marketing institutions and their impact on producer welfare. A comparative approach across commodities and regions is also needed to understand the variation in the role of marketing institutions in different structural and policy contexts.

Policy and Managerial Implications

From a policy and managerial perspective, the results of this study show the need for an agribusiness development strategy that focuses on strengthening marketing institutions as a whole. Governments and policymakers must establish a regulatory framework that fosters professional, transparent, and market-oriented cooperative governance, while ensuring farmers' access to financing, accurate price information, and adequate marketing infrastructure. Strengthening the institutional capacity of cooperatives can be a crucial instrument for improving the bargaining position of farmers in the value chain.

In addition, public policy should not marginalize the role of collectors, but instead direct them towards a more transparent and accountable marketing system. On the other hand, trading firms are encouraged to establish more inclusive partnerships with small producers through fair contracting schemes, technical mentoring, and proportionate risk-sharing. With an integrative policy and managerial approach, marketing institutions can function synergistically to improve efficiency, sustainability, and fairness in the agribusiness value chain.

References

- Barrett, C. B. (2008). Smallholder market participation: Concepts and evidence from eastern and southern Africa. *Food Policy*, 33(4), 299–317. <https://doi.org/10.1016/j.foodpol.2007.10.005>
- Bijman, J., & Wijers, G. (2019). Exploring the inclusiveness of producer cooperatives. *Current Opinion in Environmental Sustainability*, 41, 74–79. <https://doi.org/10.1016/j.cosust.2019.11.005>
- Fafchamps, M., & Hill, R. V. (2005). Selling at the farmgate or traveling to market. *American Journal of Agricultural Economics*, 87(3), 717–734. <https://doi.org/10.1111/j.1467-8276.2005.00758.x>
- Gereffi, G., Humphrey, J., & Sturgeon, T. (2005). The governance of global value chains. *Review of International Political Economy*, 12(1), 78–104. <https://doi.org/10.1080/09692290500049805>
- Kaplinsky, R., & Morris, M. (2001). *A handbook for value chain research*. Institute of Development Studies, University of Sussex.
- Ortmann, G. F., & King, R. P. (2007). Agricultural cooperatives I: History, theory and problems. *Agrekon*, 46(1), 18–46. <https://doi.org/10.1080/03031853.2007.9523760>
- Reardon, T., Barrett, C. B., Berdegue, J. A., & Swinnen, J. F. M. (2009). Agricultural and food industry transformation and small farmers in developing countries. *World Development*, 37(11), 1717–1727. <https://doi.org/10.1016/j.worlddev.2008.08.023>
- Reardon, T., Timmer, C. P., & Minten, B. (2012). Supermarket revolution in Asia and emerging development strategies to include small farmers. *Proceedings of the*

- National Academy of Sciences*, 109(31), 12332–12337.
<https://doi.org/10.1073/pnas.1003160108>
- Shepherd, A. W. (2007). *A guide to marketing costs and how to calculate them*. Food and Agriculture Organization of the United Nations.
- Trienekens, J. H. (2011). Agricultural value chains in developing countries: A framework for analysis. *International Food and Agribusiness Management Review*, 14(2), 51–82.
- Williamson, O. E. (1985). *The economic institutions of capitalism: Firms, markets, relational contracting*. Free Press.