# Impact of Broker - Producer Interaction on Tea Producer's Satisfaction in Price Realization

R.M.S.N. Dasanayaka, R.P.D. Gunathilaka *and* R.M.S.D.Rathnayaka
*Uva Wellassa University, Badulla, Sri Lanka*

## Introduction

Sri Lankan Tea industry is one of oldest and economically important industry in the country. Teas that produced within the country are primarily marketed through Colombo tea auction and then exported to other countries either in bulk or value added form. Auction takes place among five important stake holders namely Auction Organizers, Manufacturers, Brokers/, Buyers and Warehouse keepers (Hazarika, 2011). Manufacturers do not have any active role in this system and give the authority of selling their tea to concern broker. Brokers receive 1% brokerage from producer for this service (Kumekawa, 2011). Brokers and producers interact in various ways to get a better price realization at the auction because higher prices realized by tea will increase the revenue of both parties. But producer's satisfaction on the price they get may vary depending on their perceptions on price to be realized. The term satisfaction is defined according to the level they achieve their targets in terms of prices in this research. If the target is reached or exceeded, producer is satisfied. On the contrary, it is the dissatisfaction (Patterson *et al.*, 1997 and Peter & Olson, 1996). The study was aimed to assess the impact of broker producer interaction in producer's satisfaction in price realization and to identify constrains faced by producers in adoption of broker's manufacturing advices. Further the study focused to give suggestions for effective interaction between broker and producer.

## Methodology

Major interaction process between broker and producer were identified by literature reviews, process observation and preliminary surveys. A structured questionnaire was developed using information gathered and pre tested with a sample of 07 tea producers. A survey using structured questionnaire was carried out to collect the data from random sample of 50 tea producers who obtain the service of Asia Siyaka Commodities Limited. Multiple Linear Regression was used to find out the relationship between the level satisfaction and other explanatory variables. Descriptive statistical analyze method was used to determine constrains faced by tea producers in adopting manufacturing advices given by the broker.

Empirical Model

$PSPR = \beta_0 + \beta_1 BV + \beta_2 LI + \beta_3 SM + \beta_4 TS + \beta_5 PPL + \beta_6 MFA + \beta_7 TC + \beta_8 AP + \varepsilon i$

Where, $\beta_0$ to $\beta_8$ = coefficient and $\varepsilon_i$ = error term (Table 1.)

Table 1: Description of variables for empirical model of interaction processes

| Notation | Variables | Remarks |
|---|---|---|
| PSPR | Producers Satisfaction in Price realization | 1 to 5 likert scale |
| MFA | Obtaining manufacturing advices | Scores |
| BV | Frequency of visiting the broker | Number of visits per month |
| NPC | Telecommunication | Number of phone calls per month |
| LI | Length of interaction between broker and | Number of years dealing |
| SM | Obtaining special musters on tea from | If Yes =1,Otherwise = 0 |
| TS | Obtaining Type Samples of tea from broker | If Yes =1, Otherwise = 0 |
| AP | Advance payments from broker | If Yes =1, Otherwise = 0 |
| PPL | Placing Price Limits on tea to be sold | If Yes =1, Otherwise = 0 |

**Results and Discussion**

Results of Multiple Linear Regression

The regression equation is
PSPR = 0.041 + 0.217** BV + 0.0119 LI + 1.19** SM + 0.631* TS - 0.568* PPL + 0.233** MFA + 0.0234** TC - 0.158 AP
** denotes significant at 5% level
* denotes significant at 10% level

Results revealed that the producer's satisfaction in price realization was significantly determined by the frequency of visiting the broker, obtaining special musters on tea from broker, frequency of obtaining manufacturing advices and telecommunication, at 5% probability level (Table 2.). Further, level of satisfaction in price realization was significantly determined by the obtaining type samples of tea from broker and placing price limits on tea to be sold, at 10% probability level. Placing price limits on tea to be sold was found to be negatively related to the level of satisfaction in price realization whilst all other variables showed positive relationship.

Table 2: Relationship between level of satisfaction in price realization and interaction processes between broker and producer

| Dimensions | β | P |
|---|---|---|
| (Constant) | 0.0408 | 0.929 |
| Frequency of visiting the broker | 0.2171 | 0.022 |
| Length of interaction between broker and producer | 0.0118 | 0.613 |
| Obtaining special musters on tea from broker | 1.1855 | 0.000 |
| Obtaining type samples of tea from broker | 0.6314 | 0.075 |
| Placing price limits on tea to be sold | -0.5677 | 0.078 |
| Obtaining manufacturing advices | 0.2325 | 0.024 |
| Telecommunication | 0.0233 | 0.008 |
| Advance payments from broker | -0.1578 | 0.494 |

Table 3: Model Summary

| Model | R Square | Adjusted R Square |
|---|---|---|
| 1 | 75.1% | 70.3% |

The results has depicted that "Adjusted R Square", the portion of the total variation in the dependent variable, level of satisfaction in price realization is explained 70.3% by the variation in the independent variables (Table 3.)
Table 4 shows the constraints faced by producers in implementing manufacturing advices. The major constraint was the poor leaf standard adopted by the producers though they have been advised on that.

Table 4. Constrains faced by producers in implementing manufacturing advices

| Constrain | Percentage (%) |
|---|---|
| **Constraints related to production process** | |
| poor leaf standards | 68 |
| Lack of awareness level of workers | 32 |
| Labor shortages | 28 |
| Machinery problems | 20 |
| **Constraints related to interaction process between broker and producer** | |
| Complexisity of advices given | 22 |
| Lack of information quantity given | 20 |

## Conclusion

This study showed that broker- producer interaction has significant impact on tea producer's satisfaction in price realization. Better interaction between the broker and producer has assisted manufacturers to get satisfactory price realizations. Interaction processes such as broker visits, obtaining special musters on tea from broker, obtaining manufacturing advices and Telecommunication have to be increased between broker and producers in order to achieve better price realization. Major constraint faced by producers when implementing broker's advices was poor leaf standards. There were some constraints related to communication process between broker and producer such as inadequate information quantity and complexisity in advices, which can be eliminated by improving the communication process between two.

## References

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