

**VILLAGE-CITY MARKETS IN TURKEY:
A NEW APPROACH IN RURAL DEVELOPMENT**

Erkan AKTAŞ¹, İlkay YILMAZ²

ABSTRACT

In this paper "Village-City Markets" (VCM) as a model of rural poverty alleviation are studied. Related literature has been reviewed and comparative static analysis has been done. The VCM model aims to create a market in which rural producers and urban consumers participate. In such a market it is possible that consumers pay less and producers get more for the products they supply. The disappearance of the profit which intermediaries earn will increase consumer and producer surpluses as well as social welfare. The new equilibrium is expected to lead to further increases in demand and supply as well as social welfare.

Key Words: Rural poverty, VCM, Turkey.

Jel Classification: D 30, D 40, D 41

¹ Mersin University, Department of Economics, Mersin, Turkey
e-posta: erkanaktas@mersin.edu.tr

² Mersin University, Department of Economics, Mersin, Turkey
e-posta: ilkayyilmaz@mersin.edu.tr

TÜRKİYE'DEKİ KÖYKENT PAZARLARI: KIRSAL KALKINMADA YENİ BİR YAKLAŞIM

ÖZET

Bu çalışmada, kırsal yoksulluğu azaltacak bir model olarak "Kent Köy Pazarları" (KÖKEP) modeli irdelenmektedir. Çalışmanın yöntemi, konuyla ilgili literatürün taranması ve karşılaştırmalı statik analiz yapılmasıdır. KÖKEP modeli, kırsal üreticiler ile kentsel tüketicilerin aynı piyasa içerisinde yer almalarını sağlanmayı amaçlar. Bu tür bir piyasada tüketicilerin talep ettikleri ürünleri düşük fiyatla satın alabilmeleri, üreticilerin ise arz ettikleri ürünleri yüksek fiyatla satabilmeleri mümkün olacaktır. Aracıların elde ettikleri kârın ortadan kalkması, üretici ve tüketici rantlarının ve sosyal faydanın artmasını sağlayacaktır. KÖKEP modelinin uygulanmasıyla ortaya çıkacak olan yeni dengede, hem talep hem de arz artışının olması ve bu sayede toplam refahın artması beklenmektedir.

Anahtar Kelimeler: Kırsal Yoksulluk, KÖKEP, Türkiye.

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INTRODUCTION

Seventy five percent of the poor in the world live in rural areas (World Bank, 2003). Income distribution statistics of TÜİK (Turkish Statistical Institute) indicate a similar situation for Turkey (TÜİK, 2014). Therefore, studies about rural poverty alleviation remain important. In most studies in this subject monetary and in kind assistance has been emphasized and conditions that create poverty in the rural areas have been ignored.

As globalization waves rise in the world, most countries have given up protectionist policies in agriculture and, as a result, multinational corporations have become more important in the sales of agricultural products. In the long run this situation might take conditions in this sector further away from perfect competition and increase the possibility of rising food prices. According to Murphy (2009), it is high time that the perception of “free-trade” in agriculture changed. Although street bazaars are seen as “free market” where many buyers and sellers meet, he argues that the real situation in agriculture is not like that at all and gives examples of Argentinean, Brazilian and American farmers to support this view. The conditions for small-scale farming is much worse because of transportation problems, lack of storage facilities, unequal land distribution, inadequate legislation, unequal market powers of various participants, weak local and national institutions.

The fact that price elasticities of supply and demand for agricultural products are low enables brokers and middlemen to inflict the price risk on either producers or consumers or both. One of the most important problems of farmers is that they are either unable to determine the price or they have very little influence on it. In Turkey producers started to sell their own products in street bazaars in recent times, which to some degree enabled farmers to increase their incomes. This new situation is further supported by new rules and regulations for street bazaars. According to Aktaş (2006) the fact that village producers sell their own products in street bazaars might empower them in marketing process. We aim to further develop this idea.

We put forward “Village-City Markets” (VCM) model for rural development in this study. Basically VCM model is to provide market

places in cities for rural poor producers to sell their products directly to consumers. This model aims to increase incomes of rural producers by allowing them to get higher prices for their produce. Furthermore without intermediaries and middlemen the prices that consumers pay for the products that are sold in these markets will be low, which will increase consumer welfare. The method that we use in this study is the review and evaluation of related microeconomic literature.

I. Rural Development and Government Support to Farmers

The heavy weight of rural poverty in overall poverty and migration from rural areas to cities are general characteristics of developing countries. In some studies it is argued that production with modern equipments and techniques for the market might further exacerbate rural poverty problem and increase the speed at which the rural poor migrate to cities. According to Amin (2009; 90-91) with modern techniques thirty million farmers can produce the same amount of food that today three hundred billion peasants produce. Such a transformation would require (1) an important amount of fertile land to be transferred from peasants to new capitalist farmers, (2) capital for the purchase of modern equipments and materials, and (3) access to consumer markets.

In general studies about rural development in Turkey focus on government support and try to determine the most effective support methods. Şerefoğlu and Atsan (2010), for example, compare the policies implemented in the European Union with the ones in Turkey in the field of rural development. They emphasize the fact that in the EU farms are considered professional firms and this situation is taken into account when deciding about the appropriate type of government support in agriculture. In the EU small scale firms are encouraged to diversify their products and government support is linked to the level of product diversification. It is suggested that in Turkey a similar government support policy should be implemented, that is support should be linked to product diversification. Small-scale farmers should be encouraged to engage in activities that provide product diversification, such as rural tourism and fishing. Otherwise they may have to go out of business (Şerefoğlu and Atsan, 2010:445).

Adanacioğlu, Olgun and Güler-Gümüş (2010) study the effect of the global crisis on rural unemployment and poverty. They advocate that governments should play an active role in order to decrease rural unemployment. They believe that price controls and monetary aids to farmers have short term effects and these measures cannot provide a fundamental solution to the rural unemployment problem. Rural Development Supports (“Kırsal Kalkınma Desteklemeleri”) which are implemented in Turkey should be in the form of investments that will provide employment. It is also suggested that short term education programs for rural youth such as marketing, alternative business possibilities, product choice, production techniques etc. would be beneficial (Adanacioğlu, Olgun and Güler-Gümüş, 2010: 476).

It may be argued that the first large-scale rural transformation attempt in Turkey was the formation of Village Institutions (Köy Enstitüleri) in early 1940’s. The aim of these institutions was to end the feudal mentality and the semi-feudal land structure in the country. With the formation of Village Institutions, land reform (“Toprak Reformu”) subject became an issue of discussion (Ekinci, 1997).

In Turkey, the first serious agricultural policies were designed in 1963 with the start of 5-year development plans. Policies that have been implemented to support agriculture sector since 1963 were state purchases of agricultural products at high prices determined by the state, subsidies for inputs, production subsidies and credits with low interest rates. Later on, with the Eighth 5-Year Development Plan the reform in agricultural policies was considered. It was emphasized that the agricultural sector of the economy needed to be more competitive, more organized and registered, which would facilitate a strong integration with the industrial sector. In 2001 within the framework of Economic Reform Credit Agreement with the World Bank, Agricultural Reform Implementation Project (ARIP) was approved. At this period in order to lessen the burden of agricultural support on the government budget and combine all government support to agriculture under one framework, direct income support (direct payments) to farmers was started. Later on, new components to ARIP were added, such as agricultural development. In the Strategy for Agriculture (“Tarım Stratejisi”) which was prepared for the years from 2006 to 2010, it was once again emphasized that for a competitive, organized and efficient agricultural sector, sustainable agricultural policies are needed (Aktaş and Tan, 2006: 203).

One of the methods used for fighting rural poverty in Turkey is microfinance. In the world microfinance is supported by various international institutions because it is seen as a means of taking poor people with entrepreneurship skills out of poverty (Ozan-Dündar, 2007: 2). Microcredits are different from other types of credits in the banking sector since they do not require collaterals and there is no judicial process in the case of insolvency. The amount of credit that would be given to a certain applicant is determined by their entrepreneurship skills and performances and also by the expected profit/income level (Altay, 2007: 61). This unusual assessment of credit worthiness is because of the fact that most of the potential borrowers of microcredits are very poor. These people either do not have assets which can be shown as collateral or they do not want to take the risk of losing their only assets (İSEDAK, 2007: 14-15).

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Turkish Grameen Microfinance Program (TGMP) which is Turkey's first and only microfinance institution was founded in 2003 in the southeastern city of Diyarbakır as a joint venture between the Foundation of Preventing Wastage in Turkey (TİSVA) and Grameen Trust. In 2003 there were only 3 branches of this program in Turkey and all the branches were in Diyarbakır. As of January 2015 the number of branches reached to 109 and these branches are widespread throughout Turkey. Within this program so far (January 2015) more than fifty thousand has taken microcredits and the total amount of microcredits that have been used reached beyond 160 million Turkish lira (TGMP, 2015).

The success of microfinance undoubtedly depends on the financial and economic success of those who take these credits. In other words whether these people can increase production and sell their production in the market determines both their own success and the success of microfinance. Therefore VCM may also be interpreted as a project that will increase the likelihood of success of microfinance, which implies VCM and microfinance are complements.

The problems which farmers face in marketing their produce play an important role in perpetuating rural poverty. Some of the reasons that microcredits are not widely used in agriculture and animal husbandry might be these marketing problems. Financing the poor to increase production might indeed lead to an increase in production, but if this increase in production cannot reach to the market it will not generate

income and it will have no positive effect on poverty alleviation. Not being able to increase income because of marketing problems might decrease the likelihood that these microcredits will be paid back. Such a possibility itself probably prevents many poor people to consider microfinance as a potential means to use for income increase. VCM model might do the thing that microfinance could not do; that is, it might solve the marketing problem. When farmers have access to city markets, they could increase their production and behave more like entrepreneurs rather than simple peasants. Thus, VCM might turn production increase into income for the poor and play an important role in the fight against poverty.

2. Marketing Problems of Agricultural Producers

One of the most important problems of small-scale producers is that they have very little influence in marketing chain. As in any market, there are intermediaries in agricultural products markets. Wholesalers, retailers and other intermediaries provide products at more suitable places and times and therefore gain market margin. Theoretically *market margin* can be defined as the difference between the price paid by consumers and the price producers get, which implies that it is the value of marketing services. The size of this margin is directly related to the price that the consumers pay to sellers. The efficiency of marketing may be evaluated by determining what percentages of the price go to the producers and the intermediaries. The income of the producers and the expenditure of consumers change as the margin changes. Therefore it is reasonable to expect the size of the margin to have indirect influence on producers' and consumers' decisions.

There are various studies about market margin and intermediaries in Turkish agricultural sector. For example Fidan (2008) calculated wholesaler and retailer margins in food products markets and found that market margin of retailers is much greater than market margins of other intermediaries. He argues that the main trouble is the fact that high market margins have negative effect on producers (Fidan, 2008: 313). Apart from market margins' affecting prices, he argues that volatile prices themselves affect market margins directly and also marketing activities indirectly. All these uncertainties affect consumer behavior negatively (Fidan, 2008: 315).

According to Aydemir (2006), in the Turkish agricultural sector there are too many intermediaries and the marketing channels are too long. In general marketing services are not effective and market margins are too high (Aydemir, 2006: 1-2).

Emeksiz et. al. (2005) point out that agricultural producers are in general small-scale firms and they have little marketing possibilities. Defects and problems in the agricultural structure in Turkey are reflected also in marketing process of agricultural products. Long marketing channels with many intermediaries and high market margins are unable to provide effective marketing services. This situation might change and producers can reach markets beyond the local ones if marketing channels are made effective (Emeksiz et. al., 2005: 1155).

In a 2002 study in Pakistan, the administration, working and planning of fresh fruit and vegetables market was investigated. It is calculated that producers only get half of the money that the consumers pay for the products in the market (Mahmood, et. al., 2002: 596). A similar situation was observed in Turkey by Özkan et. al (2003). They examined the prices of citrus fruits and the incomes of producers of these fruits in Turkey between 1982-1998 and found that about half of the money that consumers pay for the produce goes to producers (Özkan, et.al., 2003: 46).

In another study about the agriculture in Central Black Sea Region of Turkey in 2003-2004, high taxes, few buyers, lack of space and difficult entry to the market were main grievances expressed by producers (Yulafçı, 2006).

In a study of lemon marketing in Turkey it was found that the most productive province in lemon production was Mersin. But, even in this province farmers get a small portion of the price that consumers pay for lemon because of high market margin of intermediaries (Kadanalı, Kızıllıoğlu and Dağdemir, 2010; 326). Mersin province has also an important place in greenhouse vegetable production. In an earlier study Hatırlı and Yurdakul (1992) examined the marketing of greenhouse vegetable production in Mersin and found that greenhouse vegetable producing firms had important problems in marketing their produce. The most important these problems were related to wholesalers and intermediaries (Hatırlı and Yurdakul, 1992:159). Similarly Çicek (1996) examined tomato marketing in

Kazova county of Tokat province. He found that only 5.3 percent of tomatoes produced in this region were directly marketed without intermediaries. The conclusion of the study was that marketing problems were more important and severe than the problems in production (Çiçek, 1996: 79).

Fresh fruits and vegetables markets in Turkey are also studied by Kadanalı (2011). He counted a few reasons for the fact that prices in these markets are high and producers get only a small fraction of the price that consumers pay for fresh fruits and vegetables, which indicates that market margin is very high. Three main reasons are those: (i) fresh fruits and vegetables are easily perishable in a very short time, (ii) marketing channels in these markets are long, and (iii) there are many intermediaries (Kadanalı, 2011: 133).

In a TÜSİAD (Turkish Industry and Business Association) study, which was based on the assumption that food markets are monopolistic, profit maximizing firms' market margins were calculated. It was found that while especially in meat, slaughterhouse products and grain markets profit margins are very low, in seafood market profit margins are very high. It is also stated that the reason for high profit margins in starch products market is the supply and demand elasticities in this monopolistic market (TÜSİAD, 2007: 152).

In a similar study, it was pointed that when margins of intermediaries were high, welfare of consumers and producers were negatively affected. This situation was mainly the result of the inadequacy and instability in the infrastructure of the food sector in Turkey. It was necessary to acknowledge the fact that there might be differences between margins at different levels of the producer-consumer chain. High margins in the chain clearly display the importance of intermediaries and cooperatives in price determination (Fidan, 2008: 324).

In a study about market margin in white cheese market in the central county (merkez ilçe) of Tekirdağ province, it was found that these margins depended on the size of the firms and small-scale firms operated with high market margins (Güngör and Vural, 1993: 7).

In Turkey there are peasants who engage in agricultural production in scattered plots. These numerous small-scale producers and firms face a few big market chains, which results in insufficient competition.

This situation brings forward the risk of big market chains' complete control of the agricultural products market in the long run. Indeed in Turkey the number of small and medium-scale firms decreased and in 2007 the share of big supermarket chains in food retail market reached to 47 percent (Bölük and Koç, 2008).

In another study about the structure of lentil marketing, it was found that producers sold 87 percent of their production to traders, 9.3 percent to local wholesalers and the remaining 3.7 percent to the processing industry. The main reason of this situation was that producers were in debt and they wanted to payback their debt as soon as possible. Therefore they sold their produce to traders at low prices without waiting. They simply did not have time to wait. Authors of the study suggested that organization of producers was necessary for solving these problems (Özel and Gül, 2010: 377)

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In a study in which red meat market in Turkey was investigated, it was found that this market was an oligopsony since there were many sellers and few buyers. This situation obviously affected producers negatively. Marketing chains in this market are not very different from the market chain structures in other food products. Producers of meat and meat products, village wholesalers, animal merchants, wholesale-butchers, and retail-butchers are the agents in this sector. The reason for this long marketing chain is that scales of animal husbandry firms are small and disorganized. As a result, in this market incomes of producers are low and consumers pay high prices for products (Turhan, Erdal and Çetin, 2010: 391).

In a study titled *The Structure and Working of Food Marketing in Turkey* (Türkiye'de Gıda Pazarlamasının Yapısı ve İşleyişi) the reason that intermediaries' incomes in Turkey were high was explained by the fact that scales of agricultural firms were generally very small. In this study it was also mentioned that large-scale firms made it difficult for small-scale firms to market their produce. It was suggested that marketing system could be improved and further developed by means of the media and the state (Vural, 1994:6).

In addition to the studies mentioned above, Table 1 which implies high margins for agricultural products is given below. From this table it can be seen that producers' price is only about 25 percent of the price that consumers pay.

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Table 1: Producer, wholesaler, bazaar and supermarket prices for selected products (lira per kilo if not stated otherwise) in 2014.

Products	Producer price	Whole-saler (Hal) price	Bazaar price	Super-market price	Price difference b/w whole-saler and producer (percent)	Price difference b/w bazaar and producer (percent)	Price difference b/w super-market and producer (percent)	Producer price as percentage of super-market price
Tomato	1.13	1.50	2.33	3.05	33.33	107.41	170.77	37.05
Cucumber	1.17	1.93	2.67	3.12	65.95	128.90	168.14	37.50
Long Hot Pepper	1.33	1.68	3.08	3.82	25.94	131.83	186.93	34.82
Green Bean	2.66	3.60	4.47	5.38	35.21	67.76	101.96	49.44
Eggplant	1.39	1.93	2.33	3.20	39.42	68.27	130.81	43.44
Pumpkin	1.34	1.82	2.54	3.40	35.24	89.21	153.14	39.41
Spinach	0.74	1.08	1.92	2.51	46.40	159.01	239.19	29.48
Leek	0.75	0.83	1.50	2.14	11.71	101.07	186.46	35.05
Cabbage	0.42	0.56	0.94	1.50	32.94	123.81	258.25	28.00
Cauliflower	0.91	1.12	1.79	2.32	22.71	96.89	155.38	39.22
Carrot	0.66	0.92	1.67	2.05	39.95	154.45	213.32	32.20
Lettuce (one)	0.58	0.80	1.65	2.02	37.93	184.48	247.47	28.71
Parsley (bunch)	0.12	0.20	0.51	0.77	73.91	343.48	569.57	15.58
Spring Onion	1.25	2.20	2.50	3.49	76.00	100.00	179.00	35.82
Onion	0.73	0.90	1.25	1.37	23.85	72.02	88.23	53.28
Potato	0.83	1.23	1.75	2.06	49.19	111.69	149.40	40.29
Orange	0.42	0.82	1.54	2.25	95.24	267.06	436.11	18.67
Mandarin	0.42	0.81	1.42	1.81	92.46	237.30	331.22	23.20
Lemon	0.79	1.40	2.17	2.51	77.22	174.26	217.79	31.47
Apple	1.17	1.76	2.00	3.52	50.43	70.94	200.85	33.24
Dry Bean	3.10	6.00	8.50	8.91	93.55	174.19	187.34	34.79
Chickpea	2.26	3.60	5.88	6.61	59.29	159.96	192.37	34.19
Red Lentil	2.07	3.00	4.13	5.05	44.93	99.28	143.90	40.99
Green Lentil	2.62	3.25	4.00	5.03	24.05	52.67	91.92	52.09
Rice	2.75	4.60	6.13	7.35	67.27	122.73	167.42	37.41
Dried Apricot	11.00	-	18.50	31.90	-	68.18	190.00	34.48
Raisin	3.30	-	8.50	8.74	-	157.58	164.90	37.76
Dried Fig	5.50	-	14.50	23.80	-	163.64	332.67	23.11
Hazelnut	27.08	-	36.50	47.81	-	34.79	76.54	56.64
Pistachio Nut	32.50	-	39.50	48.97	-	21.54	50.67	66.37
Egg	0.22	-	0.35	0.38	-	60.55	72.27	57.89
Milk	1.15	-	-	3.15	-	-	173.91	36.51
Red Meat	20.60	-	-	32.83	-	-	59.35	62.75
Lamb Meat	20.88	-	-	37.88	-	-	81.43	55.12
Olive Oil	9.50	-	-	16.47	-	-	73.32	57.68

Source: TZOB (2015)

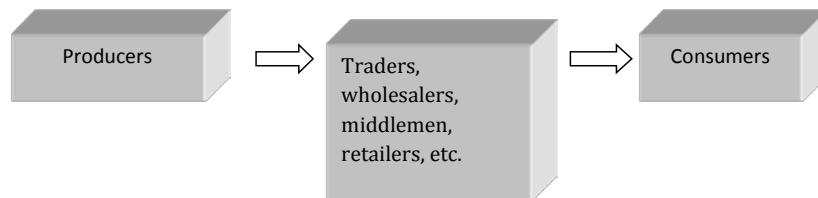
3. VCM as a Marketing Support Model in Rural Development

In this section of our study we will put forward a new rural development model in the framework of the subjects mentioned in previous sections. The fact that in recent times producers started to sell their products in producer bazaars in Turkey indicates that our model has already been implemented spontaneously.

Although the number of supermarkets increase constantly, street bazaars (semt pazarları) are still very common in Turkey. These bazaars are still important for consumers because of several factors. They are in close proximity to the places where consumers live. Fresh fruits and vegetables are available and it is possible to bargain with sellers in these bazaars. In a study done by Gül, Yılmaz and Akpınar (2008) in Adana, it was found that in general consumers preferred to buy fresh fruits and vegetables weekly from street bazaars. According to another study conducted in Ankara by Albayrak (2000) 51 percent of consumers bought fresh fruits and vegetables only from street bazaars. Street bazaars are not only found in Turkey, but also in countries around Turkey and we might expect similar consumer preferences regarding street bazaars in these countries. Therefore Village-City Market (VCM) model might be suitable both for Turkey and the countries around Turkey.

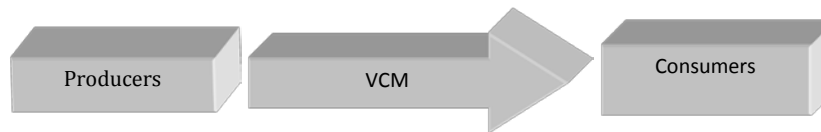
In food products traditional marketing model is given below in Graph 1. In the traditional marketing model, between producers and consumers there are intermediaries such as traders, wholesalers, middlemen and retailers. When producers and consumers are disorganized and weak, intermediaries take advantage of the situation. Even state support for producers or consumers might become ineffective because of the market power of intermediaries.

Graph 1. Traditional Marketing Channels



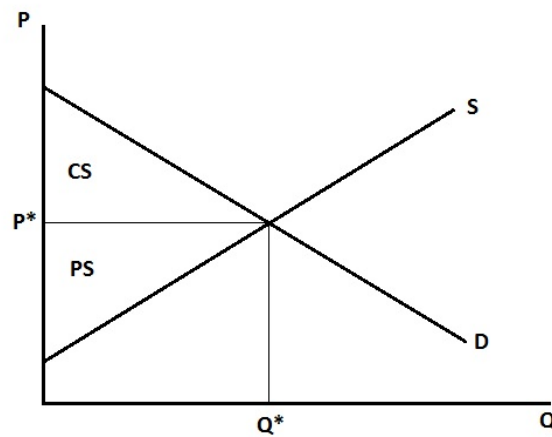
The VCM model envisages a marketing chain as depicted in Graph 2. This type of market structure can also be described as “from producers directly to consumers.” In this model producers, with a small cost, are able to sell their products directly to consumers.

Graph 2. VCM Model (From Producers Directly to Consumers)



Market supply and demand in a competitive market are depicted in Graph 3. Apart from equilibrium levels of price and quantity, consumer and producer surpluses are also seen in the graph. As it is widely known the competitive equilibrium is far away from the real situation in agricultural products markets.

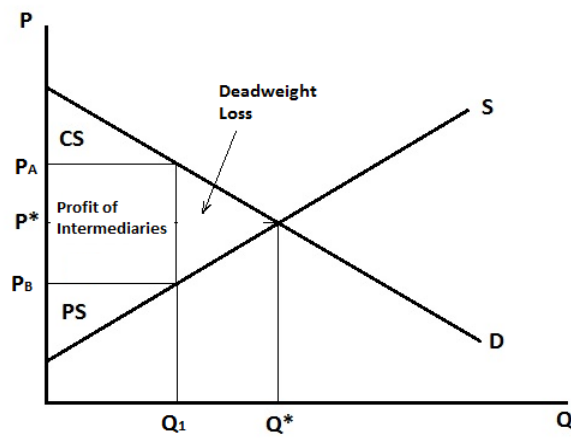
Graph 3. Equilibrium, Consumer Surplus and Producer Surplus in a Competitive Market



In a typical agricultural market with intermediaries the situation in the market is depicted in Graph 4. With intermediaries, the price consumers pay increases from P^* to P_A , consumer surplus decreases and consumption drops from Q^* to Q_1 . On the producers' side the

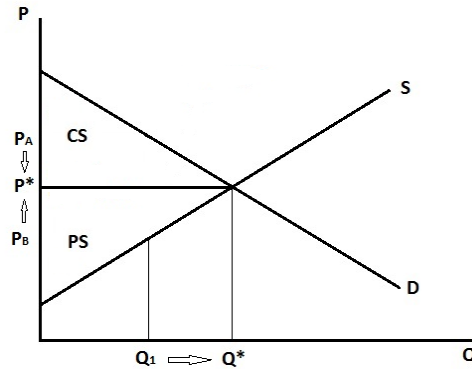
situation is also not very bright. The price producers get decreases from P^* to P_B , producer surplus decreases and production drops from Q^* to Q_1 . Although intermediaries earn a profit at the expense of producers and consumers, the total surplus decreases. The decrease in total surplus, which is called the deadweight loss, is also shown in the Graph 4.

Graph 4. Equilibrium, Consumer Surplus and Producer Surplus in a Market in which Intermediaries Operate



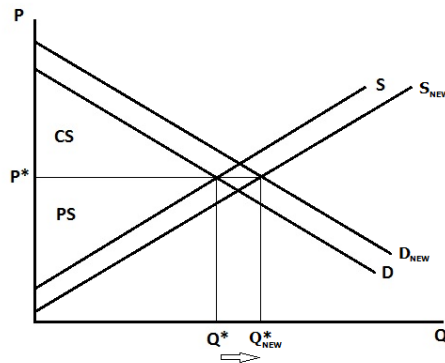
In the VCM model the situation in the market is depicted in Graph 5. With the disappearance of intermediaries both the consumer price and the producers price equalizes to P^* . Consumption and production increases from Q_1 to Q^* . The deadweight loss disappears and both the consumer surplus and the producer surplus reach to the maximum level. As this graph clearly demonstrates, the aim of the VCM model is to reach the competitive market equilibrium.

Graph 5. Equilibrium, Consumer Surplus and Producer Surplus in the VCM model



The effect of VCM on consumer and producer welfare might further change the situation in the market for the better in the long run. By increasing the real incomes of both consumers and producers VCM might cause both supply and demand curves to shift to the right. As it is seen in Graph 6, at the new equilibrium both the production and the consumption will be higher. The price might go up or down depending on shifts of demand and supply curves compared to each other. If we assume that these shifts are proportionally not very different from each other, we might conclude that the price will change substantially.

Graph 6. Long-Run Effect of VCM on the Market



Conclusion and Suggestions

The fact that most of the poor in the world lives in rural areas makes the efforts of rural poverty alleviation more important for the world. Studies in this area, in general, tend to concentrate on rural aid and support. Conditions that create poverty are not sufficiently studied. The changes in the agricultural products market in recent decades make it more necessary to study the conditions that create poverty. With the rise of globalization multinational corporations are becoming more and more influential in agricultural products trade. This situation might decrease the level of competition in the market and cause food prices to increase.

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One of the most important problems of small-scale producers in the agricultural sector is the decrease of their influence on the marketing chain. In many studies about Turkish food sector, it has been found that producers' earnings are low and intermediaries' earnings are high. Given the low earnings of producers, prices that consumers pay for agricultural products are very high. Not only small-scale firms but also large-scale firms are negatively affected by high profit margins of intermediaries. To solve these problems many observers and critics call for government action and intervention. It is interesting to note that calls for government action are generally justified by the belief that such an intervention will make the market more competitive.

Despite rapid increases in supermarket chains, street bazaars are still important in Turkey. Furthermore in Street Bazaar Regulation of 2012 it is clearly stated that rural producers can sell their products in street bazaars. This means that VCM model can easily be implemented in Turkey.

The problems that poor producers face when marketing their products negatively affect rural development. VCM model aims to overcome these problems. It might be regarded as a complementary policy to microfinance since microfinance by itself has not been able to solve the marketing problem so far. When poor producers in rural areas can sell their products in cities without incurring heavy costs they might tend to increase their production and behave more like entrepreneurs rather than simple peasants. By increasing both the production and earnings of rural producers VCM might play an

extremely important role in poverty alleviation and rural development.

With the implementation of VCM model, the price decrease in agricultural products sold in cities will also increase the real incomes of low-income households in cities. Since the share of food purchases in total expenditures is very high in low-income households, the expected real income increase because of low food prices might be quite significant for these households. Therefore it might be argued that another feature of VCM is poverty alleviation in cities. In other words, VCM aims to alleviate both rural and urban poverty.

Another important feature of VCM model is related to social and political development. By helping the rural poor to market their products in cities, VCM, in a way, transforms them from simple peasants to entrepreneurs. Democracy requires citizens who do not have only rights, but also responsibilities. Poor masses who constantly expect government aid and support cannot fulfill their democratic responsibilities. They cannot sufficiently evaluate and criticize the government when their welfare totally depends on the decisions of the government. Those who produce for the market and earn their lives in the market are more likely to have personal qualities, such as independence, self-respect, responsibility and the love for freedom, which are suitable for a democratic society. Therefore it is not unreasonable to claim that VCM provides opportunities for the rural poor to transform themselves and the society in which they live for a better and democratic one.

In the light of the foregoing, we suggest that VCM model can be used as an effective policy to alleviate rural and urban poverty, and also for rural socio-economic development. Any government which concerns itself with the well-being the rural poor should consider promoting VCM. We hope that academic papers such as this one will get the attention of policymakers and convince them using this potentially effective tool.

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