



LEGAL STATUS OF TENKULAK IN COMMODITY DISTRIBUTION AND TRANSACTIONAL LEGAL CONSEQUENCES

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Abstract

This article discusses intermediary traders known as tengkulak within commodity distribution and the legal consequences arising from their transactions. Using a normative perspective, it explains how intermediary functions such as aggregation, grading, storage, transport coordination, and advance financing shape bargaining positions between producers, intermediaries, downstream traders, and consumers. The paper distinguishes legal relationships that may appear in practice, including sale and purchase, consignment, agency, debt based arrangements, and service contracts, and it clarifies when title and risk may shift across each form. It also addresses legal issues linked to weighing and quality determinations, payment timing, documentation, and proof in disputes. Public law concerns are examined through fair competition principles, consumer protection duties, traceability of goods, and administrative compliance in trading activities. The discussion concludes that clearer qualification of the relationship and better documentation are central to legal certainty, balanced risk allocation, and accountable distribution governance. Attention is given to informal credit ties, retention of goods as security, and the possibility of abusive terms when one party controls market access. The framework offers criteria for identifying obligations, remedies for non performance, and appropriate dispute resolution pathways in practice.

Keywords: tengkulak, distribution law, contract qualification, risk allocation, evidence, consumer protection, fair competition.

Introduction

The distribution system is a series of activities that connect production with consumption through the movement of goods, information, and payments. In the food and daily commodities sector, distribution encompasses decisions regarding the collection of goods, storage, transportation, quality determination, and the timing of sales. This sequence does not take place in an entirely formal space, as many actors operate through networks of trust, oral transaction habits, and practical risk calculations. It is at this point that the presence of intermediaries becomes prominent, as they can accelerate the flow of goods and reduce the costs of searching for business partners (Yakin, 2023). It is important to realize that every economic activity requires an appropriate development strategy so that the business being run can survive and provide maximum results for its actors (Darmawan, 2018). Intermediaries can also provide liquidity through early payments or bulk purchases, thereby providing producers with cash certainty. However, the convenience of distribution through intermediaries intersects with issues of transactional justice, as the bargaining power between parties is rarely equal. When intermediaries control market access and price information, the distribution structure can create dependency. Therefore, the discussion regarding middlemen (*tengkulak*) needs to be placed within the framework of distribution as an economic relationship that contains social and legal dimensions (Fafchamps & Minten, 2001).

In an operational sense, middlemen can be understood as parties who buy from producers at the initial stage and then redistribute to other traders, processors, or final markets. This position often emerges in regions where supply chains are long, logistics costs are high, or producer access to the market is limited. In such circumstances, middlemen provide collection and delivery functions that are difficult for small producers to fulfill individually. The existence of these small business units indeed plays a very large role in helping to improve community welfare and reduce poverty rates in various regions (Wisnujati & Mardikaningsih, 2021). Middlemen can also act as quality standard-setters because they assess goods at the time of purchase, sort them, and manage the risk of shrinkage. On the other hand, this function provides space for detrimental practices if quality assessment and pricing are conducted unilaterally. In many relationships, the middleman has more complete information regarding

demand and price movements, while the producer relies on news from limited networks. This information asymmetry affects price fairness and influences transaction terms such as discounts, weighing, or payment delays (Aker, 2010). Thus, middlemen cannot be understood merely as economic actors, but rather as distribution nodes that shape relational structures and give rise to legal consequences.

Distribution is also related to price formation along the marketing path. The price received by producers is influenced by collection costs, transportation costs, risk of damage, and financing costs arising from working capital needs. Middlemen often bear part of these costs and then incorporate them into the purchase and selling price schemes. Normatively, this practice can be seen as reasonable as long as it is carried out transparently, agreed upon, and does not violate competition regulations or provisions for the protection of the weaker party. However, in the business world, we must always be alert to various obstacles that often hinder someone when they want to seek justice through legal channels (Hardyansah et al., 2021). When transparency is low, it is difficult for producers to assess whether the price difference reflects reasonable costs or excessive profit-taking due to market dominance. Furthermore, advance payment mechanisms or informal loans can bind producers to certain middlemen, causing producers to lose the freedom to choose buyers (Bardhan, 1980). Such ties are often realized through oral promises, simple notes, or even without documents. Within the framework of civil law, such relationships touch upon issues of agreements, evidence, and the feasibility of terms. Therefore, distribution involving middlemen demands a legal interpretation that assesses certainty, equality, and the protection of the parties' interests.

Changes in marketing channels through digital platforms are often said to open market access for producers; however, relationships with middlemen (*tengkulak*) persist because physical distribution requires local networks, vehicles, warehouses, and the ability to absorb volume quickly. In the midst of modern progress, the supervision of goods sold online also becomes very important so that the rights of brand owners remain well-protected (Aziz et al., 2024). Even when producers obtain direct buyers, the need for the collection and consolidation of goods often keeps intermediaries necessary. In such circumstances, the function of the middleman potentially shifts from a primary buyer to a distribution service

provider, logistics supplier, or regulator of goods flow at the regional level. This shift in function can influence the form of the legal relationship, moving from simple buying and selling toward relationships resembling consignment, agency, or service provision. However, functional shifts can also create ambiguity, especially when field practices are not accompanied by the naming of the relationship or supported by documentation (Reardon et al., 2003). Ambiguity complicates the determination of responsibility when discrepancies in weighing, damage, payment delays, or defaults occur. Within a legal framework, unclear relationships disrupt the certainty of rights and obligations. Therefore, the discussion on middlemen requires a focus on how the relationship is formed, how risks are shared, and how legal consequences arise in distribution transactions.

Middlemen also interact with market governance and trade policies. In certain supply chains, middlemen can serve as a link between small-scale production and markets that demand continuity of supply. With the ability to collect from many producers, middlemen can maintain goods availability and stabilize daily supply. However, the concentration of market access control can lead to potential price manipulation, either through agreements between intermediaries or through purchasing practices that pressure producers. This certainly requires strict regulations to ensure that business competition remains healthy, especially when involving transactions that cross national borders (Zulkarnain et al., 2024). Normatively, this relates to the principles of fair business competition and the prohibition of practices leading to monopolies or unfair pricing (Sexton et al., 1991). Additionally, informal financing practices inherent in the relationship between middlemen and producers can give rise to issues touching upon provisions regarding debt, interest, and collateral, particularly when terms are set unilaterally. In relation to consumers, the circulation of goods through many hands also raises issues of traceability, quality responsibility, and food safety. Thus, the role of middlemen in distribution does not stand alone but is connected to compliance with civil norms, trade norms, and competition norms. Every party involved in a cooperative business venture deserves legal protection and justice in accordance with applicable principles (Wibowo et al., 2024). A normative description is necessary to map the legal consequences arising from this intermediary position.

The main problem in this topic is the tension between the middleman's function as a distribution service provider and the potential for unbalanced relationships for producers. Middlemen can provide purchase certainty, accelerate the absorption of harvests, and reduce transaction costs for producers. However, this function is often accompanied by dependency because producers rely on the middleman's market access, price information, and transportation facilities. Dependency then affects the structure of agreements, including pricing, quality discounts, and payment timing (Biglaiser, 1993). On the other hand, the dynamics of social relations and the way society interacts often bring their own challenges in maintaining the order of living together (Fariz, 2021). Within the framework of civil law, repeated agreements can form practices considered customary, even if they do not always meet the principle of equality between parties. The problem becomes sharper when transactions are conducted without documents, making rights and obligations difficult to prove when disputes arise. At a normative level, this situation raises questions about whether the relationship meets the principle of healthy freedom of contract or instead indicates an abuse of circumstances. This problem description leads to the need to distinguish between legitimate economic functions and practices that potentially violate the principles of transactional justice.

Another problem relates to the lack of clarity in the qualification of legal relationships in distribution activities involving middlemen. In practice, a single relationship can contain elements of sale and purchase, entrustment, financing, and transport services in one sequence. When qualifications are unclear, it is difficult to determine when ownership is transferred, when the risk of damage shifts, and who is responsible for the quality of the goods. This lack of clarity also affects the legal consequences of payments, as payment delays can be understood as credit, but can also be understood as a breach of obligation that gives rise to claims for damages (Macaulay, 1963). Furthermore, the use of scales, sorting standards, and price deductions often become points of dispute because they relate to evidence. Active community involvement in giving voices and opinions is very necessary to create a fairer system for all (Rojak et al., 2021). Within a legal framework, proof requires credible documents or witnesses, while repeated transactions often rely on oral agreements. The

problem becomes complex when there is a chain of intermediaries, as the legal relationship is no longer bilateral. Therefore, this topic demands a normative mapping of the forms of relationships and their legal implications, so that certainty and accountability in distribution can be assessed systematically.

Public discussion is often split between assessments that view middlemen as a cause of injustice and those that view them as drivers of the local market. Such divided assessments easily become social conclusions without a disciplined legal foundation. Normative writing is required to demonstrate that a distribution function can be legally valid, yet certain practices within that function may give rise to violations of contractual principles, the protection of weaker parties, or competition provisions (Antras & Helpman, 2004). This type of description is also important to explain how the sharing of risk and the transfer of rights in a transaction affect responsibility when damage, quality degradation, or payment delays occur. Thus, the urgency of this study relates to legal certainty in distribution transactions, the improvement of trading system quality, and the protection of the interests of producers and consumers within the supply chain.

The problem formulation in this writing is as follows: how the position of middlemen in the distribution system shapes the legal relationships of the parties and gives rise to legal consequences for transactions, evidence, and liability. This question is focused on the structure of the relationship, not on a moral assessment of the actors. The focus includes the forms of obligations that commonly emerge in distribution, the moments of transfer of rights and risks, and the consequences if obligations are not fulfilled. This question also encompasses how competition norms, consumer protection, and trade order may intersect with distribution practices concentrated in intermediaries. With this formulation, the discussion can be structured in an orderly manner, moving from the mapping of distribution functions toward the assessment of legal consequences arising from variations in relationships. This problem formulation provides space to elaborate on civil and public aspects in a balanced way, as long as it remains normative and free from field data.

The purpose of this writing is to construct a conceptual explanation regarding the position of middlemen in distribution and the legal consequences for contractual relationships, risk sharing, and liability. The description is directed toward identifying the forms of relationships that may arise, such as sale and purchase, consignment, agency, and informal financing, along with their legal consequences for the parties. This writing also aims to clarify the points of dispute that frequently arise in transactions for example, the determination of quality, weighing, payment timing, and the transfer of ownership through an interpretation of contractual principles and the principle of certainty. Theoretically, this writing enriches the understanding of intermediaries in trade as legal subjects. Practically, this writing provides an argumentative basis for orderly transaction guidelines in commodity distribution.

Method

This research utilizes a qualitative literature study to construct a synthesis regarding *tengkulak* (middlemen) within the distribution system and their legal consequences. The primary materials include social research methodology books, civil and commercial law books, writings on trading systems and supply chains, as well as documents containing principles of consumer protection and business competition. The selection of materials was conducted by assessing direct relevance to the problem formulation, clarity of definitions, and consistency of argumentation. Henn et al. (2005) served as a reference to maintain order in the formulation of questions, consistency in the flow of explanation, and the placement of conclusions appropriate to the scope of the material. In research that is purely based on written sources, the strength of the study is determined by conceptual clarity and the ability to organize interconnections between ideas, ensuring that the description does not devolve into an unstructured summary.

The processing of materials was carried out through systematic reading and thematic coding to group core issues, such as intermediary functions, forms of obligations, the transfer of rights and risks, and responsibility for quality and payment. Crano et al. (2014) served as a reference to maintain consistency in the use of concepts, distinguish normative propositions from assumptions, and ensure that every theme has a logical connection to the problem formulation. Chapman et al.

(2005) was used to emphasize the importance of steps in recording sources, testing the coherence of arguments, and avoiding leaps in reasoning. Variations in citation styles were used according to the needs of the sentences, for instance, narrative forms such as Gomm (2008) and parenthetical forms such as (Chapman et al., 2005). In this way, the narrative remains natural and not monotonous, while still demonstrating a clear methodological foundation.

Although Gagnon (2010) emphasizes case studies, his principles regarding the determination of the unit of discussion and the discipline of research boundaries were applied to maintain focus on the structure of legal relationships rather than empirical events. Gomm (2008) was used to emphasize a critical stance in reading sources, including caution against generalizations, differences in terminology, and normative bias in writing. Validity was maintained through the consistency of terms, the clear boundary between the description of distribution functions and the assessment of legal consequences, and the direct link between the problem formulation, discussion themes, and conclusions. Because this research does not utilize interviews or observation, the entire explanation is structured as a normative argument that can be tested through the comparison of relevant legal concepts and principles. With this design, a qualitative literature study is sufficient to systematically explain the position of *tengkulak* in distribution and its legal consequences.

Result and Discussion

The phenomenon of the middleman's (*tengkulak*) persistent position in Indonesia's commodity distribution system is a vivid portrait of how "living law" operates in society, often surpassing the effectiveness of formal law. Sociologically, middlemen do not only act as trade intermediaries but also function as informal financial institutions that provide quick and non-bureaucratic capital access for small farmers (Jazuli, 2024). In running a business, every business actor certainly needs to pay attention to competitive advantage in order to provide the best service to their customers (Darmawan & Grenier, 2021). This bond creates a very strong patron-client relationship, where the middleman provides economic protection in the form of emergency loans or planting capital, while the farmer provides loyalty in the form of guaranteed harvest sales. The legal

implications of this relationship often intersect with the concept of abuse of circumstances or *misbruik van omstandigheden*, where the weak bargaining position of farmers is forced to accept prices below market standards to settle entangling debts (Mitra et al., 2018).

Although the state has attempted to intervene through Law Number 19 of 2013 concerning the Protection and Empowerment of Farmers, the effectiveness of this regulation often clashes with field realities showing that the government is not yet fully capable of replacing the "economic buffer" function performed by middlemen. In addition to economic issues, we must also pay attention to challenges in human resource development to remain competitive in an increasingly advanced industrial era (Oluwatoyin & Mardikaningsih, 2024). Normatively, the practice of *ijon* (purchasing crops before harvest) is a form of agreement vulnerable to defects of consent due to elements of economic compulsion. However, through the lens of legal sociology, this practice persists because it is considered the most rational solution for farmers who require instant liquidity for domestic or operational needs that are not reachable by formal banking schemes (Rapsomanikis, 2015).

From the perspective of business competition law, the dominant role of middlemen in a certain region can lead to monopsony practices, as regulated in Law Number 5 of 1999. Legal implications arise when a group of middlemen enters into price-fixing agreements or cartels that close market access to other parties, thereby damaging the macroeconomic structure. The government, through relevant institutions, must continue to strive to create an honest business climate so that the national economy can grow fairly for everyone (Wibowo et al., 2023). Sociologically, the power of middlemen in controlling prices is not merely a matter of controlling goods, but rather controlling market information and distribution networks that farmers do not possess (Hendri, 2022). This condition creates a structural dependency that is difficult to break only through the threat of administrative sanctions without distribution system reforms that address the root problem of capital.

Regulations regarding the Warehouse Receipt System through Law Number 9 of 2011 were actually designed as a legal instrument to mitigate middleman dominance by providing price certainty and credit access for farmers. However, low legal literacy and limited warehouse infrastructure

have caused this legal norm to not yet become the primary choice for the agrarian community. Therefore, every company, including sole proprietorships, needs to understand the latest regulations so that their legal responsibilities become clearer (Hardyansah et al., 2023). Consequently, customary law and local trade habits carried out by middlemen remain the main reference compared to state law. The inability of formal law to compete with this informal law demonstrates that the effectiveness of trade regulations heavily depends on the extent to which the state can provide functional substitutions for the socio-economic roles that have been filled by intermediaries (Wossen et al., 2017).

The legal implications of the middleman's role must be viewed comprehensively as an intersection between civil law, business competition law, and legal sociology. Repressive law enforcement against middlemen without improving farmers' access to capital risks creating an institutional vacuum that endangers food security. Moreover, regarding food products, strict supervision is essential to prevent the use of hazardous chemicals that could harm public health (Noor et al., 2023). Therefore, the future direction of legal policy needs to prioritize a collaborative approach that integrates the role of intermediaries into an official distribution system that is more transparent and equitable. This transformation requires harmonization between written normative language and actual field needs, so that compliance with trade regulations can be fostered through an awareness of economic justice rather than merely the fear of criminal sanctions (Pultrone, 2012).

The position of middlemen in the distribution system can be explained as a transactional node connecting producers with subsequent marketing channels through functions of collection, sorting, transportation, and short-term financing. Within a normative framework, these functions can exist as part of legitimate trading activities as long as they fulfill civil provisions, trade order, and norms protecting the interests of the parties. Every form of business cooperation, such as the distribution of royalty costs, certainly has its own rules of the game that must be obeyed by the parties (Putra & Wibowo, 2023). Middlemen are often at the starting point of the flow of goods, placing them in direct contact with producers who require certainty of harvest absorption and cash flow. At the same time, middlemen manage risks related to quality, shrinkage, and

price fluctuations along the distribution path. These risks are then translated into transaction terms, such as purchase price setting, quality discount determination, or payment delays. Legally, these transaction terms fall within the realm of agreements which must fulfill the principles of consent, good faith, and propriety. Therefore, the discussion needs to place the middleman as a legal subject forming an obligation, not merely a market actor (Meemken et al., 2019). The assessment of their practices rests on the qualification of legal relationships, risk sharing, and the measurability of provable obligations.

The initial step in assessing legal implications is to qualify the form of the relationship between the middleman and the producer. In distribution practices, the relationship may resemble a cash sale, a sale with deferred payment, consignment, or a transportation service relationship accompanied by the handover of goods. In today's digital era, transactions conducted electronically must also have valid legal force so that the public feels secure when transacting (Sulaiman et al., 2023). Qualification determines when ownership is transferred and when the risk of damage or shrinkage shifts. If the relationship is understood as a sale and purchase, then the handover of goods and price agreement become central, while risk follows the general rules of risk transfer according to the agreement and civil provisions. If the relationship is closer to consignment, the middleman acts as a baileewho is obligated to maintain the goods and is responsible for reporting sales results according to the terms. This distinction is vital because distribution disputes often stem from goods being assessed as having decreased in quality after being in the hands of the intermediary. Without firm qualification, the injured party will find it difficult to determine the basis of a claim whether it is a breach of contract, a tort, or a violation of storage obligations. Furthermore, it is important for us to always be honest and have good intentions in carrying out every content of the agreement that has been made (Irfansyah et al., 2024). Therefore, the middleman's position needs to be interpreted through specific contractual relations, as each type of obligation carries different standards of duty and proof (Swinnen & Kuijpers, 2019).

In the sale and purchase pattern, the main issues that often arise are price determination and payment timing. Normatively, price is an element that must be clear, both in nominal value and in the agreed calculation

method. If the calculation depends on quality, moisture content, or specific measurements, then measurement standards become part of the agreement's content. We must also understand that in the supply chain of goods, there are certainly risks that must be managed well so that the business does not suffer large losses (Mardikaningsih et al., 2024). When standards are not stated, unilateral assessment has the potential to breed uncertainty and disputes. Payment timing also determines whether a transaction is cash or credit. In a credit relationship, the middleman becomes a debtor to the producer, so that payment delays can give rise to claims for performance and compensation according to general principles. However, producers often lack strong documentation to prove the value of the accounts receivable and the due date, as transactions are repeated through oral custom. At a normative level, custom can be considered a practice that fills a void, but custom must not erase the basic obligation to fulfill payments on time. Thus, the legal implication of payment delays depends on whether credit was agreed upon, what the terms were, and how the transaction evidence was structured. The absence of adequate evidence makes claims weak even when real losses are felt (Handayati et al., 2017).

If the relationship formed resembles consignment, the legal consequences emphasize the duty of care and the obligation to account for the goods. Consignment involves a separation between the owner of the goods and the party selling them for the owner's benefit. In this scheme, the middleman essentially does not become the owner of the goods from the outset, unless there is an agreement to transfer rights after the sale. Therefore, responsibility for the goods during storage and transportation becomes a central issue. Damage resulting from negligent storage, the mixing of commodities, or improper transportation can be qualified as a breach of the bailee's obligations. Furthermore, consignment demands more orderly recording regarding volume, initial quality, selling price, deducted costs, and the timing of the delivery of sales proceeds. If records do not exist, the party consigning the goods finds it difficult to assess whether cost deductions are reasonable or whether the selling price aligns with market conditions. Normatively, the lack of clarity in recording opens opportunities for disputes that are difficult to resolve because the statements of the parties will contradict each other. Thus, if the middleman performs a consignment function, the legal implications

demand higher accountability, as the middleman manages property belonging to another party and controls the sales information that determines the producer's economic rights (Camanzi et al., 2011).

An agency relationship can also emerge when a middleman acts for and on behalf of a specific party, such as a wholesaler or processor, with the task of obtaining supplies from producers. Within a normative framework, agency places the middleman as an intermediary executing a mandate, such that their legal actions can bind the principal as long as they fall within the scope of authority. Agency raises questions about who the actual buyer is the middleman or the principal. If the middleman conceals the principal's identity, the producer might believe they are contracting with the middleman, even though the primary obligation lies with the principal. This lack of clarity can complicate payment collection and the determination of the responsible party when quality disputes occur. Agency also gives rise to issues regarding commissions, operational costs, and reporting standards. Normatively, an agent is obliged to act in good faith, avoid conflicts of interest, and provide accurate reports to the principal. If a middleman acts as both buyer and agent, a conflict of interest may arise in price determination and quality sorting. Therefore, the legal implications of agency drive the need for transparency regarding the middleman's legal status, the scope of authority, and reporting mechanisms that allow for correction if deviations occur. Without transparency, distribution relationships are vulnerable to becoming arenas of information dominance (Fischer & Wollni, 2018).

The aspect of risk distribution is key in every distribution relationship involving middlemen. Risks can take the form of quality degradation, shrinkage, weather-related damage, loss during transit, or market rejection. Normatively, risks should be allocated through clear agreements that align with propriety. If the risk is borne entirely by the producer after the goods have been handed over to the middleman, then the producer bears a risk that is no longer within their control. Such a transfer of risk needs to be interpreted through the principle of fairness, especially if the producer lacks the bargaining power to refuse. On the other hand, a middleman who bears all the risk without any regulatory room will increase costs that are passed on to the purchase price. Therefore, a fair distribution of risk demands clarity regarding the point

of delivery, storage conditions, and transportation standards. Within the framework of civil law, an unfairly detrimental agreement can be challenged if there is proof of abuse of circumstances or clauses that contradict propriety. Disputes often occur when quality is assessed as having decreased during re-weighing. Without an agreement on quality assessment methods and initial evidence, the injured party finds it difficult to prove when the decline occurred. Thus, the legal implications emphasize the importance of agreements that determine risk standards, not merely the price (Soullier & Moustier, 2018).

The determination of quality and the use of scales are critical points that possess an evidentiary dimension. Normatively, quality assessment must follow measurements that are understandable and verifiable for example, criteria for content, cleanliness levels, or agreed-upon damage rates. When criteria are not stated, quality assessment tends to become a tool for unilateral price correction. The same applies to scales, as weight discrepancies can arise from uncalibrated tools, different weighing methods, or unagreed-upon deductions. In an obligatory relationship, a weight discrepancy can be qualified as a deficiency in performance that must be rectified or compensated. However, proving a discrepancy requires records, witnesses, or other credible evidence. Transactions conducted quickly often ignore written evidence, causing disputes to turn into matters of "he-said, she-said." From a legal standpoint, this situation disadvantages the party with weaker access to evidence. Therefore, the legal implications of quality determination and weighing drive an interpretation of the obligation of good faith and the prohibition of misleading acts in transactions. If quality assessment is used to suppress prices without basis, it can be judged as a violation of propriety. At the trading system level, this practice can also disrupt trade order because it creates price uncertainty at the producer level (Meemken et al., 2017).

The informal financing relationship between middlemen and producers is one of the most decisive elements of the distribution structure. Financing can take the form of advance payments, cash loans, loans for production inputs, or the provision of household needs, which are later deducted during the sale of the harvest. Normatively, financing forms a debtor-creditor relationship that exists alongside the sale and purchase relationship. When these two relationships are mixed without

separation, it is difficult for producers to assess whether the commodity's purchase price has been reasonably reduced or has become a hidden way to collect interest. Furthermore, direct deductions from sales proceeds can reduce the producer's space to verify the charges. From a civil law perspective, debt requires clarity regarding the principal, repayment time, and agreed-upon additional costs. If additional costs are charged unilaterally, issues of propriety and morality within the agreement may arise. Financing can also result in exclusive ties namely, the obligation to sell only to a specific middleman. Exclusive ties can normatively be questioned if they unreasonably restrict the freedom of contract or create market dominance. However, the assessment must be careful because exclusivity can also arise from agreements considered beneficial to both parties. Therefore, the legal implications of informal financing demand a clear separation between the commodity price and debt repayment, as well as evidence that allows for verification (Verhofstadt & Maertens, 2014).

In some practices, harvested goods can be treated as informal collateral for debts to the middleman. Normatively, collateral requires a clear basis so that it does not turn into a disguised seizure. If a producer hands over goods as repayment, the value of the goods must be calculated using reasonable measures, and any remaining debt or surplus must be clarified. If the middleman takes the goods and sets a unilateral value far below the fair price, issues of propriety and the potential for disputes over unlawful acts arise. At the civil level, formal collateral has specific procedures, but informal practices often operate without documents. The absence of documentation makes it difficult for producers to prove whether the handover of goods was an ordinary sale or a handover for collateral. Consequently, when a dispute occurs, the producer's position is weak. Normatively, the interpretation of informal collateral must consider whether there was free consent, whether there was adequate explanation, and whether there was a balance of performance. If informal collateral causes the producer to lose their entire harvest without transparent calculation, then general provisions regarding good faith and propriety become the basis for correction. The legal implications of informal collateral practices demand a minimum standard of transparency so that the financing relationship does not transform into a mechanism for controlling production. This standard is also relevant for protecting

distribution certainty, as collateral uncertainty triggers conflicts that disrupt supply (Adjognon et al., 2017).

From the perspective of competition law, the concentration of market access control by middlemen or groups of intermediaries can give rise to issues regarding practices that reduce competition. Normatively, healthy competition requires reasonable opportunities for producers to choose buyers and for buyers to obtain supplies without undue obstacles. If there are agreements between intermediaries to set uniform purchase prices or to divide purchasing territories, the potential for violating competition principles arises. A normative assessment must examine whether such behavior closes the market, artificially suppresses prices, or prevents the entry of new actors. At the level of commodity distribution, price determination is often influenced by many factors, so the assessment must not be oversimplified. However, the principles that must be upheld are the prohibition of abusing a dominant position and the prohibition of conspiracies that reduce price freedom. On the other hand, legitimate logistical coordination can appear similar to market arrangements, so the distinction requires an evaluation of the purpose, method, and consequences that can be legally accounted for. Therefore, the legal implications demand caution in interpreting the collective behavior of intermediaries. This discussion places middlemen within a market structure that may require supervision, especially when there are indications of closing off access to price information or limiting producer choices (Meemken & Qaim, 2018).

The dimension of consumer protection related to distribution through middlemen arises when the quality and safety of goods are affected by storage, transportation, and labeling practices. In long supply chains, goods can experience quality degradation or contamination if handling does not meet standards. Normatively, the important question is who bears responsibility when consumers are harmed by unsafe or non-compliant goods. Liability may attach to the producer, the distribution actor, or the final trader, depending on the type of obligation violated and the ability to control risk. A middleman who performs storage and sorting has control over the condition of the goods at a certain stage, thus they may bear a duty of care. However, to assess liability, it is necessary to understand whether the middleman acts as the owner of the goods or as a

service provider. If they buy and become the owner, the responsibility for quality at the distribution stage may attach more strongly. If they act as a bailee, their primary obligation is to maintain the goods according to bailment standards. In both cases, documentation is essential for traceability. Without traceability, it is difficult to determine the source of damage. Thus, the legal implications emphasize that a distribution system involving intermediaries must be able to demonstrate a trail of goods handling. This trail protects consumers and protects business actors who have acted reasonably (Trienekens et al., 2012).

The traceability of goods is also related to trade order and specific administrative obligations. For certain commodities, circulation may be accompanied by permit requirements, quality standards, or storage provisions. Middlemen operating as collectors can be at the point that determines whether goods enter official channels or not. Normatively, administrative violations can lead to sanctions, seizures, or restrictions on business activities. Furthermore, administrative non-compliance can affect the validity of an agreement if the object of the transaction is prohibited or restricted. Within a civil framework, an agreement whose object contradicts public order can be considered invalid. Therefore, the legal implications of a middleman's activities include administrative risks that impact transactions. These regulations are not merely a burden but a mechanism to maintain quality and protect the public interest. However, a normative discussion must also acknowledge that misunderstood administrative provisions can lead to informality. Informality weakens evidence and increases the room for disputes. Consequently, the position of the middleman as a distribution node has relevance to administrative compliance. Compliance strengthens transaction certainty and clarifies who is responsible if a violation of circulation standards occurs. Thus, an orderly distribution system demands that intermediary actors understand their obligations as trade participants, not merely as seasonal buyers (Oya, 2012).

Within the realm of civil law, the principles of good faith and propriety are essential tools for assessing the fairness of the relationship between middlemen and producers. These principles come into play when agreements are drafted informally, or when transaction terms are formed through unwritten customs. Good faith demands that the parties act honestly, do not conceal relevant information, and do not exploit the

weaknesses of the other party. In distribution transactions, relevant information can include quality standards, weighing methods, cost deductions, and payment schedules. If a middleman intentionally withholds market price information so that a producer accepts a low price, questions regarding propriety may arise. However, a normative assessment must distinguish between reasonable trade secrets and the concealment of information that causes an agreement to become unbalanced. Propriety also relates to clauses that force a producer to bear risks beyond their control for example, all shrinkage occurring after the goods have been transported by the middleman. When such an agreement arises from economic dependency, the issue of abuse of circumstances (*misbruik van omstandigheden*) can emerge. Although proving the abuse of circumstances is not simple, normative discussion affirms that civil law possesses mechanisms to correct unreasonable agreements. Thus, the legal implications of a middleman's activities do not end at the existence of an agreement, but rather extend to the quality of the agreement and the way the agreement was formed (Fafchamps, 2011).

The issue of evidence is central because distribution often operates with minimal proof. In a dispute, the party claiming a right must demonstrate the existence of an agreement, the content of the performance, and the breach. Without documents, evidence relies on witnesses and custom. However, witnesses often come from the same network, leading to questioned credibility. Furthermore, commodity transactions involve volumes and qualities that change rapidly, so evidence needs to record the time, place, and condition of the goods. Normatively, evidence can take the form of memos, weighing records, photographs, or communication records that show price agreements and payment schedules. When this evidence is absent, disputes tend to end in compromises that are not always fair. This shows that legal certainty in distribution requires minimal documentation habits that can be performed without burdening the transaction. The legal implication of minimal evidence is increased uncertainty and dispute costs. Dispute costs are not just monetary costs but also the cost of broken trade relations and supply disruptions. Therefore, the normative discussion views documentation as part of risk governance. Documentation also helps clarify the qualification of the relationship, whether it is a sale and purchase or consignment. Thus, law and distribution practices are interconnected

through the quality of available evidence. Without evidence, norms find it difficult to function as protective tools (Michelson, 2013).

The position of middlemen can also be examined through transportation law when they provide or arrange the transport of goods (Widyatmoko et al., 2022). If a middleman acts as a carrier, they may bear the obligation for the safety of the goods during transit. If they merely connect the producer with a carrier, the obligations may differ, depending on whether they guarantee delivery or simply act as a matchmaker. Within a normative framework, it is important to distinguish between obligations of result and obligations of effort. Transportation often involves events beyond control, such as bad weather or accidents, so the determination of liability demands an assessment of due diligence. If damage occurs due to negligent packaging, which is the producer's duty, the liability differs from damage caused by rough handling during loading and unloading by parties appointed by the middleman. Furthermore, if a middleman delays shipment to wait for better prices, such a delay may cause quality degradation. Whether such a delay was agreed upon or constitutes a breach of obligation must be assessed. Thus, the legal implications of transportation arrangements emphasize the clarity of delivery points and goods-handling standards. This clarity also determines who bears the cost of insurance, if any. In commodity distribution, insurance is rarely used formally, yet normative discussion remains important as it demonstrates how risk ought to be allocated. When risk is not allocated, disputes occur more easily.

The use of warehouses or collection points by middlemen raises the issue of storage liability (Achmad & Indradewi, 2021). Storage can result in damage due to humidity, temperature, pests, or the mixing of commodities. Within a normative framework, the party storing the goods is obliged to maintain them according to proper standards, especially if they are receiving goods from another party. This obligation is stronger if the relationship is one of bailment, as the owner of the goods cannot supervise them. However, even if the relationship is one of sale and purchase, the middleman as the new owner remains bound by the general obligation to ensure that the goods do not endanger other parties and that the quality is not misrepresented. Storage also raises the issue of the segregation of goods. If goods from several producers are mixed, disputes

may arise regarding quality or volume claims. Mixing causes traceability to be lost. Normatively, traceability is a prerequisite for determining liability for damage. Therefore, storage activities require a minimum standard of recording entries and exits. If the middleman performs a collection function, recording also serves as the basis for determining payments. When recording is weak, it is difficult for producers to dispute if the volume paid differs from the volume delivered. Consequently, the legal implications of storage demand simple internal regulations, as storage is the point where physical risk most easily occurs. Good internal regulations strengthen transaction certainty and protect all parties.

The aspects of tax law and bookkeeping can be implications that are often overlooked. Middlemen who engage in repeated buying and selling are business actors who, in principle, have certain administrative obligations, including the recording of transactions for the purposes of evidence and fiscal compliance. When activities take place entirely informally, the risk of disputes increases because there is no written trail, and administrative risks also rise because activities are unrecorded. Normatively, recording is not merely a state demand but a mechanism that strengthens certainty in private relationships. Recording allows for the correct calculation of prices, deductions, and payments. Additionally, recording can reduce the space for the manipulation of weights or quality, as the numbers become visible. However, normative discussion must distinguish between proportional recording and administrative burdens that are unrealistic for small actors. The principle of proportionality is important so that order does not push actors further into informality. From a legal standpoint, fiscal non-compliance can also lead to consequences that affect business continuity, which in turn affects distribution stability. Therefore, the legal implications of middlemen include the link between trade transactions and administrative obligations. This discussion affirms that orderly governance provides a dual benefit: reducing civil disputes and reducing administrative risks. Both benefits are directly related to the quality of distribution (Reardon et al., 2019).

The involvement of middlemen (*tengkulak*) in price formation at the local level raises issues of transparency. Normatively, there is no general obligation for business actors to disclose their entire cost structure, but the law rejects fraud and misleading statements. If a middleman states that

market prices have dropped when they have not, in order to pressure the producer, then that statement can be challenged as a dishonest act that influences the agreement. A normative assessment can utilize the principle of good faith, as good faith demands honesty in negotiations to a certain extent, especially when one party relies on information from the other. Information dependency strengthens the moral and proprietary obligation not to manipulate. However, proving information manipulation is not easy as it requires comparison with other sources. This is where the importance of access to price information from diverse sources lies. While access to information is more of a policy issue, at the civil level, information access affects a producer's ability to assess price fairness and determine if misleading behavior has occurred. Thus, low transparency increases the risk of disputes and the risk of unbalanced agreements. Legal implications emphasize that dishonesty in negotiations can damage the validity of an agreement or give rise to claims for damages. However, the use of legal instruments requires evidence. Therefore, the provision of evidence in the form of communication records and notes becomes crucial (Dillon & Barrett, 2017).

Exclusive relationships between middlemen and producers are often built through financing and supply habits. Exclusivity can be valid if agreed upon freely and providing real benefits to both parties, such as certainty of absorption and certainty of loan repayment. However, normatively, exclusivity can become an issue if created through pressure, threats, or the abuse of dependency. In an agreement, exclusive clauses must be assessed in terms of propriety and freedom of will. If the producer has no real alternative, consent may be superficial. Furthermore, exclusivity can close access for other actors to the supply, which under certain conditions can trigger competition issues. Assessing competition requires an interpretation of the market structure, but at a normative level, it can be asserted that unreasonable restrictions on choice contradict the principles of a healthy market. Exclusivity also creates problems if the middleman fails to fulfill their obligations for instance, delaying payments or unilaterally lowering prices while the producer is bound to sell. In such circumstances, the producer requires a way out of the agreement and a fair termination mechanism. Legal implications demand the existence of provable termination standards so that the producer is not trapped. Thus,

exclusive relationships need to be clearly qualified, as they are not merely customs but obligations that have legal consequences for the producer's freedom of transaction (Bellemare & Lim, 2018).

The position of middlemen in the distribution chain can also be linked to the obligation of fair contract standards. In practice, transaction terms are often drafted unilaterally by the stronger party, such as regarding quality discounts, returns of goods, or price determination on specific days. Normatively, unilateral clauses can be assessed through the principles of propriety and good faith. Clauses that waive a middleman's liability for their own mistakes or that impose all risks onto the producer are potentially improper. However, since transactions are often oral, unilateral clauses do not take the form of text but rather of enforced customs. Enforced customs can still be challenged if there is proof of pressure or fraud. What needs to be emphasized is that an imbalance in bargaining power does not automatically make an agreement void, but the imbalance can be an indicator of abuse. A normative discussion also needs to assess whether the producer had a real opportunity to negotiate the terms. If there was no opportunity, the quality of consent becomes weak. Legal implications place the protection of the weaker party as a principle that can work through the correction of unreasonable clauses. However, the application of this principle still demands proof regarding unilateral practices. Therefore, simple documents such as deduction notes, quality lists, and short written agreements can become vital tools to ensure transaction terms can be tested. Thus, orderly distribution requires minimal yet clear contracts (Grandori, 2015).

In distribution disputes, the choice of a resolution forum has significant implications. Resolution can be sought through negotiation, mediation, local customary forums, or court proceedings. Normatively, each forum has different objectives: some emphasize the restoration of the relationship, while others emphasize the certainty of rights (Kidder, 2007). In repeated relationships, parties often choose non-litigation settlements so that supply is not interrupted. However, non-litigation settlements can result in unbalanced agreements if the weaker party lacks assistance. At the civil level, settlement agreements must be ensured to be made freely and clearly so as not to become a source of new disputes. Furthermore, if the dispute relates to administrative violations or competition violations,

private channels are not always sufficient, as the public interest may be involved. Thus, legal implications demand a distinction between purely civil disputes and disputes that touch upon public order. The normative discussion also emphasizes that the chosen forum must be capable of examining evidence. When evidence is minimal, forums that rely on compromise can become more dominant. The dominance of compromise can benefit the stronger party. Therefore, improving the quality of evidence is a prerequisite for a fairer dispute resolution, regardless of the forum. Consequently, a distribution system involving middlemen requires dispute resolution readiness that balances speed and justice. This readiness cannot be separated from transaction documentation.

The dimension of trade ethics is also related to legal implications, as ethics often serve as an indicator of good faith. Middlemen who conduct their activities with transparency in weighing, clear quality explanations, and timely payments tend to build a reputation and reduce disputes. Reputation can function as a behavior controller, yet reputation is not always sufficient if the market structure closes off a producer's choices. Within a normative framework, trade ethics do not replace the law but rather strengthen compliance. However, when ethics are ignored and producers feel treated unfairly, disputes become possible, even though legal channels are rarely chosen due to costs and evidence. This situation shows that the law needs to be interpreted as a tool for correction, but a corrective tool requires a structure that enables its use. Therefore, the normative discussion places ethics as a bridge between practice and norms. In commodity distribution, ethics are also linked to consumer protection for example, the prohibition of mixing low-quality and high-quality goods without notification. Mixing may benefit the intermediary in the short term, but it can damage market trust and give rise to liability. Thus, the legal implications of trade ethics appear in two directions: reducing the risk of civil disputes and reducing the risk of violating public obligations. Consequently, the assessment of middlemen must look at whether their practices align with good faith and propriety. These norms become the reference when documents are incomplete (Gereffi & Lee, 2016).

The existence of multi-layered intermediary networks adds complexity to liability. Goods can move from the producer to local middlemen, then to regional collectors, then to wholesalers, and finally to

the market. Each transfer creates a new obligation, and each obligation may have different terms. Generally, the smooth flow of these goods is heavily influenced by various factors that support the effectiveness of an organization in performing its functions (Darmawan, 2024). Within a normative framework, this complexity raises issues of connectivity for example, whether a producer can sue a wholesaler who actually controls the price through the network. In general, civil claims follow *privity*, meaning they apply to the contracting parties. However, under certain circumstances, legal relationships can be expanded through the concept of unlawful acts or through evidence of arrangements that cause loss. Such assessments demand strong evidence. Therefore, in multi-layered chains, producers more often face the nearest intermediary. This makes the local middleman the primary point of accountability, even though price decisions may be influenced by distant parties. The legal implication of a multi-layered structure is the increased risk of misattributed responsibility. When a producer sues the nearest party, the dispute may be resolved partially without touching the root cause structure. Nevertheless, the normative discussion remains important as it explains the limits of liability and the possible paths available. At a policy level, layered structures can be considered for trading system improvements, but in this writing, the focus is on legal consequences. Thus, the complexity of the distribution chain reinforces the importance of relationship qualification and evidence at each stage (Al-Khatib, 2023).

The position of middlemen in distribution can also give rise to issues regarding the misuse of information and misleading practices. Misleading behavior can take the form of false claims regarding market prices, false claims regarding quality standards, or false claims regarding transportation costs. Changes in the global situation, such as those occurring during the pandemic, also often change the way society buys and consumes daily goods (Khayru, 2021). Within a normative framework, misleading acts that influence an agreement can be a basis for annulment or a basis for claims for damages. However, to assess a misleading act, it is necessary to examine whether the statement is a verifiable fact or merely an opinion. This distinction is important because the law generally assesses factual lies more easily than subjective evaluations. In distribution transactions, statements about weights and deductions are facts. Statements about price trends can

be debated, but if presented as a certainty, they can become problematic. Legal implications can also relate to consumer protection if the misleading information is passed on to the market for example, inconsistent quality labeling. At a civil level, an injured producer needs to show a causal link between the misleading act and the price loss. This demands communication evidence or witnesses. Therefore, misleading practices are often difficult to prosecute if transactions are conducted without records. Thus, the legal implications emphasize the importance of improving the quality of evidence for example, through memos that contain the basis for quality deductions. A memo is not merely a record but part of the transparency mechanism. Transparency reduces the space for misleading practices. Consequently, adherence to the principle of honesty in trade becomes a normative limit that can be tested through evidence (Aker, 2011).

In the distribution system, middlemen can also function as filters for market access, determining which producers receive priority and which are rejected. Filtering can be legitimate if based on objective quality standards or necessary supply capacities. However, filtering can become problematic if used to pressure specific producers or to force improper financing terms. Normatively, the freedom to choose business partners is recognized, but that freedom must not become a tool for discrimination that disrupts order. To ensure that competition remains fair, the role of supervisory institutions is essential so that no party abuses their power in the market (Firmansyah et al., 2023). At the civil level, discrimination in choosing partners is usually difficult to prosecute unless an obligation is breached. However, at the competition level, discrimination that closes off the market can become an issue if conducted by a dominant actor. Assessing dominance requires measuring market structure, but conceptually it can be explained that controlling market access increases the responsibility to act fairly. The legal implication at this point affirms the distinction between private obligations in agreements and the public obligation to maintain a healthy market. A middleman who becomes a dominant node can stand at the intersection of these two obligations. Therefore, the normative discussion concludes that the position of a middleman is not singular; it can change depending on their scale and influence over market access. The greater the control over access, the greater the relevance of

public norms. This needs to be considered when interpreting the legal implications of distribution practices (Reardon et al., 2019).

The involvement of middlemen in post-harvest handling and sorting can change their status from buyers to service providers (Yogita et al., 2024). If a middleman receives goods, performs sorting, and then returns a rejected portion, the relationship may contain elements of service. In our society, modern rules sometimes clash with local values that have long been held firmly by traditional communities (Mardikaningsih et al., 2021). Within a normative framework, sorting services demand clear standards, as sorting determines the producer's income. If sorting standards are not stated, the rejection of goods can become a source of dispute. Unreasonable rejection can be understood as a violation of good faith. Furthermore, rejected goods raise questions about who bears the return costs and who bears the damage during handling. If a middleman holds goods for a significant period before rejecting them, the producer may suffer losses due to damaged goods. In a service relationship, the middleman must be responsible for negligence in handling. However, if the relationship is a sale and purchase, rejection after an agreement can be challenged as a breach of contract. Thus, qualification again becomes important. Legal implications also include the duty of care toward perishable goods. Perishable goods require quick decision-making and clear communication. If communication is unclear, disputes become difficult to avoid. Consequently, the sorting function expands the spectrum of a middleman's responsibility, as they do not only determine the price but also determine the fate of the goods. Therefore, the normative discussion places sorting standards as part of the agreement content that needs to be clarified. Clarity of standards protects producers and protects middlemen from unfounded accusations.

The position of middlemen in distribution can also be linked to the law on the protection of small business actors. In many transactions, producers are in a vulnerable position due to their small scale and need for liquidity. Providing strong legal protection for small businesses is very important for maintaining economic stability in the regions (Hardyansah & Putra, 2023). Normatively, protection can be reflected through the principles of propriety, the prohibition of abuse of circumstances, and the supervision of practices that close off choices. Civil law provides tools for

correction through the annulment or adjustment of agreements in certain circumstances, while public law can oversee practices that damage competition. However, corrective tools are only effective if producers are able to access them. Access requires information and evidence. Therefore, the legal implication of the presence of middlemen for small producers is not just a matter of existing norms, but also a matter of the ability of norms to work within informal transactions. The normative discussion concludes that informality weakens protection, as informality weakens evidence. Additionally, the level of education and the ease of managing business permits also influence the extent of public interest in legalizing their businesses (Mardikaningsih & Arifin, 2021). When evidence is weak, violations are difficult to enforce. Thus, the most logical improvement within the normative realm is to encourage more structured transactions, at least regarding the elements that most frequently trigger disputes, such as scales, quality, and payment timing. This structure does not have to take the form of long contracts; minimal evidence that can be verified is sufficient. The government also needs to ensure that licensing services operate efficiently to support the development of micro and small enterprises (Hardyansah, 2023). Thus, the protection of small actors depends on the meeting point between norms and documentation practices. This meeting point becomes a part of the legal implications that need to be highlighted in the discussion (Markelova et al., 2009).

The position of middlemen (*tengkulak*) shapes the legal relationships of the parties through a variety of obligations that can change according to the functions performed: purchase, consignment (*titip jual*), agency, transportation services, storage services, and financing. These variations determine the legal consequences regarding the transfer of ownership, the transfer of risk, quality obligations, payment obligations, and evidentiary standards when disputes arise. When the relationship is understood as a sale and purchase, the focus of legal consequences lies on price agreement, the delivery of goods, and the fulfillment of payment. When the relationship resembles consignment or a service, the focus of legal consequences shifts to the duty of care, reporting, and accountability for property belonging to another party. Beyond civil law, the position of middlemen can intersect with competition norms and consumer protection when the control of market access or the handling of goods

affects market fairness and consumer safety (Decker, 2017). In all paths, evidence is a prerequisite for norms to function. The lack of documentation and the dominance of oral customs reduce certainty, increase dispute costs, and weaken the position of the vulnerable party. Thus, the legal implications of the middleman's existence are multi-layered, encompassing private obligations and public duties. The answer to the problem formulation emphasizes that assessment must begin with the qualification of the relationship, followed by an interpretation of risks and responsibilities at each stage of distribution. This framework provides a basis for understanding the middleman's position systematically.

Conclusion

Tengkulak (middlemen) serve as distribution nodes capable of performing functions such as collection, sorting, storage, transportation, and financing; consequently, the legal relationships formed can vary and are not always identical to simple sale-and-purchase agreements. These variations determine when ownership and risk are transferred, who bears the obligation to maintain quality, how payment obligations are assessed, and how liability is established in cases of damage, shrinkage, quality rejection, or payment delays. Legal implications arise in the civil sphere through the principles of consensus, good faith, propriety, risk allocation, and evidence, and may intersect with the public sphere through principles of business competition and consumer protection, particularly when control over market access or goods handling affects trade order. The primary weakness fueling disputes is the lack of clarity regarding the qualification of the relationship and the scarcity of transaction evidence, making it difficult for norms to function effectively. Within this framework, the position of the *tengkulak* can be assessed objectively through the structure of the obligation and its legal consequences, rather than through oversimplified moral judgments.

The implications and recommendations are directed toward the need for establishing transactional certainty without disregarding the fast-paced and repetitive nature of commodity distribution. First, the qualification of the relationship needs to be stated simply based on its core elements whether it is a purchase, consignment, agency, or service so that the transfer of rights and risks does not become a source of dispute.

Second, minimal documentation must become a habit, especially regarding weight, quality, price, deductions, and payment schedules, as evidence is the primary bridge for the enforcement of rights. Third, the regulation of informal financing needs to be separated from commodity pricing through clear records of the principal debt and repayment methods, ensuring that financing relationships do not devolve into coercive mechanisms. Fourth, intermediaries who control the handling of goods must apply standards of due diligence in storage and transportation to protect consumer safety and shield themselves from claims. Fifth, the understanding of competition principles and the prohibition of misleading practices must be strengthened so that the distribution structure remains fair and accountable within trade order.

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