



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Institutional Reform of Marketing and Related Services to Agriculture, With Particular Reference to Africa

John C. Abbott

Via Dell 'Archetto 20, 00187 Rome (Italy)

(Accepted 11 August 1986)

Abstract

Abbott, J.C., 1987. Institutional reform of marketing and related services to agriculture, with particular reference to Africa. Agric. Econ., 1: 143-157.

Over the decades to 1980 agricultural marketing and input supply systems came increasingly under official monopolies. Dissatisfaction with the incentives offered to producers and with the costs to governments has sparked interest in reform. Practicable ways of introducing more competition and mobilizing potential individual initiatives are presented. Obstacles to progress in this direction include political commitments of governments, ethnic concerns and patronage interests. External aid can help ease these constraints.

Introduction

The establishment of state, official cooperative and development authority monopoly marketing systems has been the main action line of governments during the recent decades to 1980. Determining factors have been the political preferences of national leaders, a desire to be seen doing something new quickly and to please pressure groups, a need to protect over-valued national currencies and lack of reliable information on the realities of market performance at the farm level.

External financing agencies have tended to back up these preferences for much the same reasons, and for administrative convenience. They needed an "official" counterpart agency to which they could tie their aid or loan. International fellowships for training in marketing went mostly to government offi-

cials, rarely to sons of merchants who could build on practical experience. Aid resources were concentrated on government-sponsored marketing systems.

Since 1981 dissatisfaction with the incentive to food and other agricultural production provided under these systems and difficulties in meeting their cost have sparked recognition of the need for reform (World Bank, 1981; FAO, 1985). The focus of this paper is on the disadvantages of excessive government intervention in marketing and ways in which marketing and input supply structures can be made more competitive and more effective in stimulating expanding production where needed. Factors behind the reluctance of some governments to relax monopolistic systems will be examined. Orientations in external aid to alleviate these constraints flow naturally from this analysis.

State domination of marketing

For many crops in various developing countries state participation in day-to-day marketing operations has loaded the marketing system against the farmer. In the case of export crops it has become a vehicle of taxation. Marketing channels for food crops have been burdened with the costs of expensive security stocks and pan-territorial pricing policies. Grey markets exist because the incentive to evade official systems is great, yet the illegality of their operations raises their cost.

Convincing evidence of the adverse impact of monopoly marketing systems upon the prices received by farmers for basic food grains at the national average level has been assembled by Ahmed and Rustagi, (1985), see Table 1. They compare the share that producers have received of the consumer price for basic grains in some African countries where marketing was subject to a parastatal monopoly – Kenya, Malawi and Tanzania – with Nigeria and Sudan where there has been less government intervention, and with some Asian countries. Evidently, marketing takes a larger share of the prices paid by consumers in the African than in the Asian countries. This is attributed in part to greater distances to be covered, less concentrated production and consumption, and a less developed transport and related marketing infrastructure, including milling at the local level. Taxes on food grains are higher in Africa: 3–10% of the consumer prices, as against 2–5% in the Asian countries. However, the significantly higher shares of the price taken by marketing in Tanzania, Kenya and Malawi as against Nigeria and Sudan suggest that the parastatal marketing systems are themselves responsible for much of the extra cost. This can result from higher costs forced onto parallel marketing enterprises by the restrictions they impose, higher staff and transport costs of their own ongoing operations, and the costs of additional “services” such as maintenance of bufferstocks and strategic reserves and pan-territorial pricing.

The natural focus for much food grain marketing is the mill. In a country like India, with large city populations to supply, the main purchasing channels

TABLE 1

Prices to producers as percentages of prices paid by consumers: selected African and Asian countries (1975-1980)

Country	Product	Producer as % of consumer price	Average weighted by production totals
Tanzania	Maize	38.2	41.4
	Rice	56.6	
	Sorghum	48.1	
Kenya	Maize	42.0	42.0
Malawi	Maize	48.2	49.6
	Rice	55.1	
Nigeria	Maize	54.5	58.9
	Rice	57.0	
	Sorghum	59.8	
Sudan	Sorghum	61.2	61.2
Bangladesh	Rice	79.0	79.0
India	Rice	82.0	81.0
	Wheat	79.5	
	Sorghum	80.0	
Philippines	Rice	87.0	82.4
	Maize	71.5	
Indonesia	Rice	84.0	84.0

Source: Ahmed and Rustagi (1985). These authors draw on numerous secondary sources listed in their paper. The figures for Asian countries are consistent with other official data. Those for Kenya, Malawi and Tanzania are primarily averages of official prices taking into account "grey" market prices where available.

over distance are organized by the millers. They finance agents and sub-agents to buy for them in the main surplus-producing areas. In countries like Kenya and Zambia, however, the mills have been supplied via state marketing boards and have had no incentive to develop their own channel of supply.

At the first international meeting on marketing boards, held in Nigeria in 1971, the economists were critical but the administrators positive. At the second such meeting at Leiden in 1983, numerous case studies based on interviews with farmers were presented. The opening hypothesis of the organizers was that, for the farmer, a guarantee that he would be able to sell his produce at a preannounced price was of prime importance. The evidence of the cases was predominantly negative: low prices, delays in acceptance of produce and in payment for it, need for illicit payments to board personnel. The overall conclusion was that an institution conceived in the interest of agricultural producers had been turned against them (Arhin et al., 1985).

A recent study in Gambia on the marketing of groundnuts, the country's main export product, maintains that the costs of the official cooperative assembling agency are double those of the private traders (Jones, 1986). Yet it continued to handle 70–80% of the market output because of the pressure it could apply as monopolistic supplier of seed.

Export marketing monopolies have long been subject to the criticism that they tended to become an instrument for the diversion of funds to government revenues and development projects. This is beside the point, however, to the extent that taxes on export products can be levied at the port without a monopoly board. More relevant is whether freedom from the pressure of competition leads to a decline in efficiency that negates the intrinsic advantage of monopoly, e.g. greater bargaining power and full control of market flows. Opportunities for comparing similar parastatal monopolies and competing private operations are relatively rare. However, FAO data show that the marketing of bananas in the United Kingdom from Jamaica, under monopoly board management during the 1970s, cost \$100 per ton more than that of bananas marketed in Germany by competing enterprises in Ecuador. Interposed between producer and manufacturer or distributor a monopoly marketing organization can also obstruct adaptations to end user requirements that are occurring in countries which allow scope for enterprise initiative in response to competitive pressures. Nor is the desirability of announcing a fixed price payable to the producer a sufficient justification for a monopoly if this price is lower than it need be. Through the 1970s, prices actually received by farmers in Tanzania went down, while world market prices for their export products were tending upwards.

It is some time since a study on agricultural processing plants set up in Africa (Mittendorf, 1968) stressed the high proportion of failures. These were mostly government-sponsored projects. In some cases, no proper market studies had been conducted before a decision on the investment was taken. In others it was simply assumed – without investigation of production responses – that the establishment of a plant would attract an adequate supply of raw material. Often a feasibility study was undertaken by a company that expected to supply the equipment; it was accepted because it was part of a political aid package. A recent review of processing enterprises in developing countries suggests that many government plants still incur the same disadvantages: excess capacity, disadvantageous locations and inadequate marketing management (Abbott, 1986).

The governments of developing countries have also tended to keep the marketing of fertilizers to themselves. Sometimes this has been a continuation of distribution by extension services and development authorities, initiated to familiarize farmers with fertilizers and how to use them. In other cases former private firms have been nationalized into a parastatal. The result was a single channel system without competition, as in Tanzania and Zambia. In some

TABLE 2

Marketing costs and margins for fertilizer (1983-1985) (in US \$ per tonne)

Country	Total	Transport	Storage	Interest	Distributor margin	Other margin
Kenya	133	38	6	20	31	38
Nigeria	137	90	-	-	21	26
Sudan	166	63	5	1	64	33
Zambia	149	80	5	15	15	34
Zimbabwe						
large farmers	27	11	-	-	12	4
small farmers	54	20	-	-	34	4
India	28	15	1	2	2	8
Indonesia	27	10	1	4	9	3
Thailand	63	8	4	2	15	34
Korea	77	16	7	43	10	1

Source: FAO, Representative data assembled on a continuing basis by rapporteurs who have participated in training seminars. Currency conversions are at official rates.

instances, parastatal produce marketing boards have a monopoly of input sales to small farmers.

A continuing constraint on the use of fertilizers in many African countries is its high cost. Marketing costs from point of import or local production are shown for illustrative African and Asian countries in Table 2. Except for Zimbabwe, where two private firms were in competition, costs in the African countries are much higher. That there is scope for economies is demonstrated by an FAO study in Zambia which identified potential annual savings in the order of \$10 million.

Credit for the purchase of fertilizer and other farm inputs has been provided in many countries via standardized low-interest programmes organized through government institutions. Maximum interest charges to farmers have been established that could never cover the cost of such credit. The funds made available were never enough to meet the demand, while access to funds from commercial sources or personal savings was precluded by the ceiling on charges. Difficulties in replenishing these credit accounts from national sources and the disillusionment of external financing agencies over the results achieved are leading various governments to reconsider this policy.

Moves towards more competitive systems

Food grain marketing

The general recommendation is that marketing parastatals abandon monopolies of wholesale trading in favour of stabilizing the market by buying into

and selling from a bufferstock. Other enterprises would operate legally in parallel. The first step is to lift restrictions imposed on the movement of grain to protect the monopoly. This is now occurring quietly in Mali and Tanzania; road blocks designed to stop trading by individuals have been removed. Private individuals can also operate trucks so, in practice, competitive marketing is already going on.

There are a number of countries where an official stabilisation agency does not have a monopoly, but the spread maintained between its buying and selling prices is so narrow that the operation of other enterprises is effectively restricted. This has been feasible where the government had access to funds to cover its deficits. While masked by subsidy the overall cost of marketing can become much higher than necessary in such a situation, as with BULOG, the stabilisation agency in Indonesia.

Widening the spread in the producer and consumer prices applied by the agency can reduce overall costs by allowing scope for individual and other local enterprises to take on storage and distribution which they could do more economically. This has been demonstrated in Sri Lanka. Allowing a wider price spread for rice led to the proportion of the total marketed by the Paddy Board to fall from 30 to 8%. This reduced the subsidy burden on the government. Rice trading by independent enterprises expanded correspondingly, with a significant increase in the use of local mills and stores and consequently savings in transport costs.

Allowing free trade alongside a stabilisation agency does not mean abandonment of stabilisation as a policy, and there can be quite dramatic benefits. The Government of Somalia relaxed monopoly purchasing of maize in the late 1970s. Helped also by favourable production conditions, maize output rose from a normal 100–120 000 tons to 150 000 tons in 1981 and 235 000 tons in 1983 (Berg, 1985).

There are, however, certain implications. Pan-territorial price guarantees to all farmers will need modification. If retained, they will have to be considerably lower than the price actually paid to producers conveniently placed for the market, if the stabilising agency is not to incur heavy deficits. The cost of holding a food security reserve should be carried by the government, not incorporated into the stabilising agency's margin. This is the practice in Botswana: its Agricultural Marketing Board manages stocks for the government and charges for this via a separate account.

The stabilisation agency can itself make greater use of local enterprise, with the advantage of lower costs, while still performing its primary function. When individual purchasing agents, millers and retailers are commissioned to provide services for a stabilisation agency, the cost is generally less than where the agency performs the same functions directly. The remuneration of individuals buying maize for the Kenya Cereals and Produce Board in 1982/83 was

K. Shilling 4.80 per sack. The comparable cost of a buying depot operated directly ranged between 3 and 20 K.Sh per sack with an average of 6.15 K.Sh.

Raising the purchasing price at intervals after the harvest date provides an incentive for storage by farmers, village groups and other local enterprises. This reduces the organization, transport and storage burden upon the agency. It also reduces the risk of physical losses because produce it has been obliged to buy at harvest time is not adequately protected.

Nevertheless, however efficiently it is operated, an agency stabilising a free market is unlikely to recover all its costs from market operations, especially if it has to maintain substantial stocks from year to year. In the interests of market stabilisation it incurs costs that competing individuals will avoid; it foregoes profit opportunities that they will take. The government must be prepared to meet the extra costs of stabilisation via a direct subsidy or allow, as is already the practice in various countries, the agency to take compensating profits on some other product sold primarily to high-income consumers, or on sales of food provided under aid programmes.

Experience in Mali, Sri Lanka and other countries points to some other issues to be considered in advance of a significant relaxation of nationwide purchasing monopolies:

(1) Where the marketing monopoly has been used to collect repayment of production credit, alternative local arrangements for deduction of credit repayments at the time of sale will have to be devised. Otherwise repayment must be left to the individual farmer under the sanction of no further credit until outstanding debts are cleared.

(2) For family and other local enterprises to operate efficiently they will need access to transport, service facilities and working capital. Assurance of continuity is also essential if they are to make investments over the longer term. They will also need time to acquire skills, develop agency relationships in distant locations and build up own capital.

(3) A problem consequent on marketing reform may be that some large-scale milling and storage facilities established by a centralizing parastatal may become surplus or operate far below capacity. With free market movement a much larger proportion of the total marketed supply will be held and milled locally to economize on transport.

Export marketing

Alternatives to parastatal monopoly are:

(a) Allow individual exports. Abandonment in the early 1970s of pooled marketing of cocoa from Malaysia in favour of individual exports was followed by a rapid expansion of its share of the overall export market. In Ecuador some 20 exporters of cocoa beans compete with each other and with processors exporting cocoa powder and liquor. Central bank monitoring of prices declared

by exporters, with the aid of specialised services such as the Société Generale de Surveillance if necessary, can ensure that the bulk of the foreign exchange earned is paid over – if overvaluation of the exporter's currency makes this an issue.

(b) Establish a joint venture with a transnational. This can offer relatively secure access to distribution channels in import markets, to participation in established retail brands, and to other sales advantages. Supervision of financial transactions will be concentrated. As part of a production rehabilitation programme, United Brands Inc. took over responsibility for marketing bananas from a defined area in Jamaica in 1983.

Often a composite of different enterprises can be available in substitution for a monopoly parastatal. Following the closing of ONCAD, which had a groundnut monopoly in Senegal, marketing proceeded through some officially sponsored regional organizations, oilseed crushers, and locally based individual enterprises.

Processing and marketing

As opposed to accepting external assistance in the establishment of ambitious centralized meat, milk and other product handling plants, governments of developing countries would often do better to foster local initiatives on a smaller scale and help in providing the necessary infrastructure, credit and support services.

For government plants already in operation, solutions being tried in Sri Lanka indicate some of the options. For the fruit canning plants of the Government Marketing Department and one of the Milk Marketing Board's plants, grower participation in their capitalisation is being sought. Another milk plant is being leased to Nestle. A sugar plant will be run by Booker McConnell under a management contract. Independent risk participation must be substantial and a management contract must be highly geared to profits, it is thought, if the desired operational discipline is to be achieved (Jayasinghe, 1985). Options in reducing the role of parastatals in agricultural marketing are considered in further detail by Bremer (1985) and Shirley (1985).

Input supply

In Africa the most efficient input distributors are probably crop marketing organizations. These supply fertilizer, seed, other inputs, and technical advice to farmers growing for them under a production/marketing contract. Supply is on credit; repayment is deducted from the proceeds of sale of the crop. This system works well with crops like cotton and tobacco.

In Burkina Faso, SOFITEX, the Volta Textile Fibre Company has provided:
– practical advice on the crop to people working with the farmers;

- all necessary inputs, such as seed, fertilizer and chemicals, on credit;
- a marketing service, including assembly, ginning and sale, and recovering the cost of previous inputs from the price paid to the farmer.

Such a system tends to favour cash crops against food crops. However, fertilizers applied on cotton also benefit the following crop, which is likely to be a food crop. Part of the fertilizers delivered for cotton may in fact be used on food crops. At least this system puts some money into the hands of the small farmers, money that can be used to buy fertilizer for food crops if the farmer has an incentive to do so. Moreover, distribution systems based on payment via cash crops purchased can provide fertilizers, pesticides, etc., specifically for use on food crops. In 1984, the Kenya Tea Development Authority was considering undertaking this for its 138 000 growers. Important here is that the total repayment deducted does not constitute a large part of the proceeds of the cash crop; otherwise it will become an incentive for evasion.

To meet the needs of farmers not served by such organizations, and to provide an alternative supply source, locally based family-scale retailers offer the lowest-cost solution in many rural areas. They can combine the sale of fertilizers with local crop assembly and the distribution of other agro-chemicals and basic consumption necessities. In moving goods to and from market centres they can use a small truck to the fullest advantage. It can also provide a public carrier service – a regular link for people and produce between outlying villages and local centres on the day of the periodic market.

There is an argument, in principle, for a single organization to procure fertilizer for small countries that are importers. It would be in a better position than a number of small independent importers to mobilize finance, take advantage of savings on large orders, bulk shipments, etc. and bargain over prices. Such an organization will also constitute a convenient mechanism for pooling prices paid for fertilizer from different sources, including international aid, and for applying subsidies if these are available. It would then resell from its depots at standard prices by type and time period to competing domestic distributors. This is the system adopted a few years ago in Bangladesh.

The potential advantages of a single importing organization can easily be negated by bureaucratic procedures and failure to respond in a timely way to farmers' various requirements. Crop production and marketing integrators, and large producer groups, may find it advantageous to make their own imports, as in Ecuador, Kenya and various other countries.

Similar problems arise with monopoly state seed companies. Competition via imports is usually needed to speed up access to advantageous new strains, for example. The monopoly seed company in Ivory Coast was replaced by an enterprise with domestic individual and international participation.

Mobilization of alternative sources of credit

The prime option seems to be reestablishment of realistic rural financial markets in which independent and joint enterprise can exercise its potential. Starting points are:

(1) Charging realistic rates of interest for official credit and permitting other credit suppliers to do the same. Unless the rate charged is related to the cost of money and of managing the loan, the lending agency never receives sufficient income to cover its costs. Realistic interest rates are also needed to attract deposits and savings. In this way, additional funds for lending can be mobilized from local sources – which will never happen if institutional interest rates are kept far below the going rate elsewhere.

(2) Allocation of credit on the basis of individual farmer ability to repay. Too many official programmes set out to serve large numbers of farmers on a standardized basis. Not enough attention is given to the criterion that their use of credit in their particular circumstances be so profitable and take sufficient account of production risks that they will have no difficulty in repaying it.

(3) Full use should be made of alternative credit channels. Rural banks adapted to the conditions of their area, supervised centrally but with local representatives on their managing committees, can be encouraged – along the lines of those in Ghana. Provided they are not undercut by official programmes, and if agriculture is profitable, commercial banks can expand their operations in rural areas. While they may not have the field staff to undertake direct lending to large numbers of small farmers, they can lend to them through individual and joint marketing enterprises that are prepared to offer the necessary sureties and have their own direct contacts with farmers. Contrary to some popular views, most marketing enterprises making advances to farmers are concerned more with assuring themselves of supplies than with making great profits on their loans. The convenience of providing credit for farm inputs under a production/marketing contract has already been noted.

In many countries there are traditions of group savings and credit. Mostly they serve social goals. However, as the advantages of purchasing certain inputs for agriculture become more widely recognized, these systems could become a regular credit source amongst tightly knit groups. The savings movement in Zimbabwe has an integrated savings, agricultural input and extension programme.

Provision of a favourable economic environment

The main elements are well known: a realistic exchange rate, fiscal and price incentives for both export and the production of domestic food supplies, availability of foreign exchange for transport and processing equipment, supplies

and spare parts and incentive consumer goods for rural populations. Evidence of the impact of such policies is the recent expansion of food production to match domestic requirements in Ghana. Hitherto, many African governments concerned with placating politically powerful urban consumers kept food prices artificially low. Hardship for low-income urban consumers can be alleviated by the distribution of specific quantities of food at lower prices, through special channels.

Such an environment will also favour the processing and marketing in forms that appeal to contemporary consumers of cassava and sorghum. These traditional food products with a comparative advantage in many African countries tend to be supplanted in popular usage by imported rice and wheat.

Infrastructure for competitive marketing

Basic features are:

- transport, storage and communication facilities;
- assembly, wholesale and retail market facilities;
- institutions to provide finance, market intelligence and advice, and ensure satisfactory conditions for trade.

In Africa, with its colonial heritage, there has been a tendency to assume that provision and maintenance of such facilities are a responsibility of government – central or local. Such attitudes were promoted by paternal regimes and backed up by recognition at the popular level that official bodies were possessors of superior technology as well as of public funds.

Under conditions of financial stringency, a policy of confining government responsibilities to essentials and hiving off to local beneficiaries maintenance work within their technical capacity seems in place. Thus, in Zaire the cooperation of produce buyers and other regular road users has been obtained in maintaining agreed sections of public highways. They are entrusted with the management of “food for work” supplied by the World Food Programme and of associated cash wage components.

Strengthening rural market networks to bring competing consumer goods and input supply, and output purchasing enterprises nearer to small farmers has been shown to be an effective stimulator of production for sale. Small farmers benefit from this because they are the ones most handicapped by having to travel long distances to find outlets and obtain supplies. Major investments in market structures are not necessary. The basic requirements are ease of access, space to display produce, and protection of areas in regular use against sun and rain. Many of the traders will be women; others may be people from another part of a country. It is important that such groups are afforded favourable conditions for trading, have equal access to sales places and related facilities, and are protected against harassment by local officials. If they are to provide

a continuing service at low cost, they must be free from risks that their stocks will be seized or that unrealistic and arbitrary price controls will be applied.

A shift in the role of government is envisaged: instead of trying to provide all public facilities and control their use in detail, it promotes and assists their provision by local initiative and contributions.

Central support for competitive marketing

In many countries, a continuing handicap to the effective organization of marketing and input supply is the dispersion of responsibility. Agriculture, Commerce and Rural Development and other ministries of central Government, plus local authorities, may all be involved. Coordination can be difficult. Too often decisions are taken without full appreciation of their implications. To guide and monitor the promotion of a competing marketing system, a professional unit should be located at an appropriate place in the public administration. Conventionally its role is to:

- (a) assemble and analyze information and forecasts, as a guide to policy formation;
- (b) maintain continuing support services: e.g. market information, marketing extension, promulgation of standard quality specifications,;
- (c) assist in the management of state and cooperative enterprises, public market facilities and other elements of the marketing system.

In a marketing reform context a fourth area of responsibility will be to provide advice on the restructuring of marketing channels to reduce costs to producers, to consumers and to governments, and to provide more flexible services. Steps to achieve this would be foreseen: e.g. revision of restrictive legislation and discriminatory taxation and exchange rates, provision of operating finance and tax holidays, organization of publicity campaigns and other promotion of new individual and joint enterprises. Government measures to facilitate such changes would be planned.

A problem in some countries has been the existence of a marketing department already staffed by personnel with no feeling for such an approach. Their experience has been with official cooperatives and the planning of government interventions via price controls and state enterprises. In Sri Lanka a reforming government set up a new marketing authority headed by a man committed to competitive marketing and well able to argue its case. Coordination with pre-existing government marketing units was not easily ensured. In Ecuador marketing policy responsibilities were concentrated in a single new unit in the ministry of agriculture, but the staff available were all public intervention oriented. Advantage was taken of external aid support to bring in five new people with independent enterprise experience.

Obstacles to marketing reform

Notwithstanding considerable pressure from external financing agencies, there are many countries where reform of marketing is proceeding very slowly. Specific sets of conditions stand in its way. There are governments that are committed to Marxist socialism and interpret this to require that marketing be confined to state and collective organizations. Others with no such commitment still move slowly for fear of alien domination. There remain some where influential personalities are reluctant to upset vested interests and forego opportunities for patronage.

Political commitments

The way out of doctrinaire shackles is well demonstrated in China. After a series of measures to foster development of alternative marketing channels, government agricultural marketing monopolies were abandoned officially at the beginning of 1985. Various media have been used to present individual entrepreneurs to the public as positive contributors to national progress and public welfare. Their role has been incorporated into the principles of Chinese socialism (Lee, 1985). This is a model for other countries to follow; it calls for a determined lead from the top. In Guinea, Jamaica and Sri Lanka this came via change of government.

In African socialist countries such as Mali and Tanzania, still more so those dependent on Eastern Bloc support, the first move can be tolerance of small family scale marketing enterprises, removal of road blocks to control movements, facilitation of individual access to transport vehicles and bank credit. Evidence of usefulness to farmers and consumers can induce a tacit shift of policy. However, with the risk that a sudden reversal could put them out of business, many individuals will be reluctant to invest in marketing for the future and in consequence never achieve their potential competitive efficiency.

Ethnic concerns

There are African countries where the indigenous people have been confined to petty retailing. Wholesaling and trading over distance are dominated by Europeans, Asians and Africans from elsewhere. State and cooperative marketing have provided a way for the ethnic majority to participate. With abandonment of official protection for such bodies must come some measures to maintain participation of the ethnically dominant groups. Official requirements, as in South East Asia in reference to the Chinese, that immigrant traders take on indigenous partners, employ at all levels, and train indigenous staff, point the way.

Patronage and vested interests

To politicians in some countries, the ability to reward and protect political supporters and personal friends at the cost of excessive marketing margins is a natural concomitant of power (Bates, 1981). Eventually power shifts and particular monopoly privileges can then be abolished. Conditionality of external financial assistance needed for the continuance of a particular political regime may be an effective influence here.

Implications for external assistance

These follow fairly clearly. Awareness of marketing reform possibilities can be promoted by arranging for policy makers to visit China, India and other countries with relevant conditions and by holding seminars and exchange programmes. Technical assistance can be provided to help governments develop appropriate policies and strengthen individual enterprises, as under the FAO/UNDP marketing assistance project in Zaire.

Practical training for indigenous entrepreneurs and associated personnel specifically adapted to their needs, with inducements to secure participation, can be provided. The programme carried out at rural assembly markets by COBAL in Brazil is a useful model. Individual marketing enterprise can be assisted financially through credit for a vehicle, equipment and working capital as envisaged under World Bank/Central Bank collaboration in Ecuador. Associations of individual marketing enterprises can be developed as counterpart bodies for technical and financial assistance projects, and demonstration and training programmes. Experienced marketing enterprises from other countries, e.g. Brazil, Hong Kong, Korea and Singapore, can be encouraged to come forward with proposals for joint ventures.

The needs of some governments for overall financial assistance can provide occasion for discussing needed shifts in policy and possible credits to cover costs involved in the short run, e.g. losses of rice mills in Mali.

In conclusion, the proposals here presented constitute a frame for the modification of existing price and marketing policies in many countries. It requires adaptation to particular conditions. Likewise, it should be approached gradually to allow time for adaptation by the people affected. Programmes for marketing reform in African countries have good chances of making steady progress, as in China, provided their proponents do not proclaim their successes overloudly and the external role is modest.

References

- Abbott, J.C., 1986. Agricultural processing enterprises as an instrument for the transmission of technology. Paper prepared for UNCTAD, Geneva, 93 pp.

- Ahmed, R. and Rustagi, N., 1985. *Agricultural Marketing and Price Incentives: A Comparative Study of African and Asian Countries*. IFPRI, Washington, DC, 89 pp.
- Arhin, K., Hesp, P. and Van der Laan, L., 1985. *Marketing Boards in Tropical Africa*. Kegan Paul, London, 208 pp.
- Bates, R.H., 1981. *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies*. University of California Press, Berkeley, CA, 158 pp.
- Berg, E., 1985. Why don't LDC governments liberalize agricultural markets? Paper presented at Agricultural Marketing Seminar, 6-14 May, Economic Development Institute, Washington, 23 pp.
- Bremer, J., 1985. *Options for Privatizing Agricultural Parastatals in Developing Countries*. R.R. Nathan Associates, Washington, DC, 23 pp.
- FAO, 1985. *Crisis of sustainability: inputs supply and incentive policies*. Paper prepared for Expert Consultation on Agricultural and Food Problems in Africa, Rome, 76 pp.
- Jayasinghe, I., 1985. *Privatization in developing countries; the experience of Sri Lanka*. Paper presented at Conference on Privatization Policies, Methods and Procedures, 31 January-1 February, Manila, Asian Development Bank, 34 pp.
- Jones, C.W., 1986. *The Domestic Groundnut Marketing System in the Gambia*. Harvard Institute for International Development, Cambridge, MA, 37 pp.
- Lee, C.Y., 1985. *Theories and Policies on Marketing Reform in China*. FAO, Rome, 26 pp.
- Mittendorf, H.J., 1968. Marketing aspects in planning agricultural processing enterprises in developing countries. *FAO Month. Bull. Agric. Econ. Stat.*, 17: 1-8.
- Shirley, M.M., 1985. *Divestiture of State-owned Enterprises in Developing Countries*. World Bank, Washington, DC, 27 pp.
- World Bank, 1981. *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*. Washington, DC, 198 pp.

