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MICRO LEVEL RESEARCH ON RURAL MARKETING SYSTEMS

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This paper focuses on micro level marketing research to support the design and implementation of rural development programmes. Contemporary rural development efforts are directed primarily at promoting change so as to simultaneously affect the distribution and growth of income, employment, nutrition, health, and other dimensions of the quality of life in rural areas. Although there is a continuing debate over the appropriate rural development strategy, adequate analyses of the essential growth and equity issues will not be forthcoming until we better understand the micro behaviour of both production and marketing systems in rural areas.

Although our focus is on rural marketing systems, we recognize that food and agricultural markets are ultimately national and in many cases international in scope. Consequently, our plea for more micro research on rural marketing systems does not imply that micro analysis of urban marketing systems, macro analysis of national marketing systems, or international trade analysis be reduced. We believe all of these are necessary, but none alone is sufficient for the design and implementation of rural development programmes. And while none of these research areas has enjoyed high priority in national economic planning and development programmes, we contend that there is a critical shortage of micro understanding and analysis of the rural portions of national marketing systems (Abbott).

Shortcomings of Previous Marketing Research

Much of the marketing economics research in low income countries has been guided by the traditional efficiency concepts tied closely to the relatively static, perfectly competitive economic models. Important dynamic questions involving growth and equity have been largely ignored. Likewise, much of the research has been concerned with macro issues involved in testing for conditions of structure, conduct, and performance predicted by the perfectly competitive model. These studies frequently include assumptions of homogeneous behaviour on the part of farmers and marketing agents, and use data that are averages of many observations (for example, monthly price data), thus obscuring important variations in market behaviour. Furthermore, there is a "top down" orientation to the research that emphasizes urban and export markets with only minor attention to input and rural consumer goods markets. The results of existing marketing research are often inappropriate for making specific recommendations for improvements in rural markets, especially if the objective is to extend improved services to specific target groups such as small farmers and other low income rural residents. Consequently, the design of rural development schemes continues to be based upon popular beliefs about excessive margins, exploitative middlemen, and uninformed farmers. These views, in turn, lead to strong pressures for direct government intervention in marketing. But as Lele found in studying some 17 rural development programmes in sub-Saharan Africa, "The foremost shortcoming of the approach adopted in many of the programmes is that it has paid little attention to making the traditional forms of marketing organization work."

Micro level marketing research carried out by other disciplines also has its shortcomings. Little of what has been done contains analyses that yield policy recommendations. For example, geographers interested in the location of economic activities have undertaken a large number of descriptive studies of market places, periodic markets, and itinerant traders in rural areas of developing countries. This research is important because it provides knowledge of how these traditional trading institutions function. Unfortunately, by geogra-

phers' own assessments, much of their research suffers from the inability to offer answers to questions concerning policy and planning of rural marketing systems (Ghosh and McNulty, and R. H. T. Smith).

Anthropologists and sociologists have observed and described rural household behaviour relative to production, consumption, storage, and sales decisions. Anthropologists also have a tradition of conducting individual village studies. Although their research provides valuable descriptive information about rural populations and economic processes, it rarely contains a policy focus. Currently, a group of economic anthropologists is seeking to use concepts from regional science to put their village studies into a more useful framework for understanding and promoting rural development (C. A. Smith).

The field of business administration also has potential for contributing to better rural development policy and programmes. Improved private and public business management practices are fundamental to rural marketing system reform. Yet there is very little micro level research indicating what the potentials are and how change can be introduced.

Knowledge about technical alternatives in marketing is another necessary component of rural marketing systems research. Engineers and marketing technicians often conduct feasibility studies of new methods of storage, food processing and preservation, packaging, and transportation. Unfortunately, their analyses and recommendations can easily escape sufficient socioeconomic content and rigour. This has often resulted in an overendorsement of capital intensive technologies, underutilization of new facilities, and insufficient emphasis on local capacity for continued development of skilled labour and management personnel (Riley and Weber).

A Suggested Rural Marketing Systems Approach

The conceptual framework of a rural marketing system which we envisage involves the integration of many components. It includes a geographical dimension that may correspond to the area of a typical rural development project. Within this area there are farms, villages, and one or more rural towns (county seats). The marketing activities occurring within the area are viewed in terms of their interrelationships involving economic, social, geographic, and technical variables. The parameters and variables defining these interrelationships form an endogenous system. At the same time, external or exogenous factors are viewed as having important impacts on the operation of the rural marketing system. These external factors include (1) market linkages with other rural market systems, (2) market linkages with large urban and industrial areas, (3) international market linkages, and (4) government policies and programmes.

The endogenous relationships involve the interaction of rural households and rural markets. The rural household is seen as the basic production and consumption unit. Its output consists of labour, crop and livestock products, nonagricultural products, and service activities (marketing is an example of the latter). Some of these outputs are initially sold in local markets while others are retained for household consumption (food and home produced consumer goods) and for production (labour and home produced inputs). Sales of labour, agricultural output, home produced goods, or services result in cash income which rural households can use to make purchases of consumer goods and services, labour inputs, agricultural inputs, inputs for nonagricultural products, and to save and invest. The rural markets which facilitate these exchanges are normally identified as product (output) markets, input markets, consumer goods markets, and financial markets. The rural financial markets provide important services to the other three markets and directly to rural households. In practice the demarcations between the various rural markets are not nearly so clear. Individual marketing agents may provide services in all four of the markets. It

is through these and other rural marketing institutions that important internal and external linkages are developed and maintained. The internal linkages involve the transactions within a particular rural marketing system and the external linkages are with other rural market areas, urban and industrial areas, and export markets.

The internal and external relationships of the rural marketing system, as conceived above, have been independently studied by several disciplines. The integration of these approaches is needed to achieve more policy relevant work supporting rural development. We suggest the following set of objectives for developing an integrated rural marketing system framework:

1. To develop an understanding of how the system functions, thereby providing a better basis for identifying the economic, social, and technical factors which constrain improvements in the system.
2. To estimate the growth and equity impacts on the rural population of spontaneous and planned changes in rural marketing institutions.
3. To predict and evaluate the impacts on rural marketing institutions of changes in the volume and composition of rural household output.
4. To evaluate the growth and equity impacts on the rural population of changes in external markets, policies, and programmes.
5. To prescribe policy and programme changes that will result in major improvements to the rural marketing system and that are consistent with the rural development goals concerning growth and equity.

The above objectives begin to acquire meaning and focus only when specific problems and issues are discussed. Work on the first objective provides a good basis for developing understanding among the relevant disciplines. Because of the emphasis on equity as well as growth, it is important to focus on the operation of the system in terms of the distribution of wealth and income, access to government services and political power, social status and organization, geographic considerations, and technical performance. Qualitative as well as quantitative information is required. The integrated study of a rural marketing system should lead to a better understanding of the factors which constrain its improvement. This involves the determination from the viewpoint of the participants of the rigidities in the private and public components of the system. Technical, social, and institutional constraints are involved. The traditional constraints involve various aspects of exchange, transportation, storage, planning, information, and policy.

The emphasis of the second objective is on what happens if specific internal changes are made in rural marketing institutions and services. For example, what would be the growth and equity effects of alternative feeder road systems in a rural development area? An analysis of the feasibility and impacts of group marketing activities by small scale producers is another example. Clearly, there are interactive effects among possible changes; for example, access to transportation services of a cooperative could assist small farmers in reaping greater benefits from improved feeder roads.

Since a significant portion of the rural development effort is directed towards expansion of agricultural output, it is imperative that the impact of actual or proposed changes in the volume and composition of output be examined (objective 3). Bottlenecks and rigidities associated with traditional marketing systems can restrict the spread of Green Revolution technologies by lowering their profitability. Lele observed that proportionally large increases in supply often result in severe price decreases at the farm level. The impact of

production specialization on the nutrition of rural households is another issue. Also, the ability of the rural marketing system to provide efficiently and effectively the required production inputs and the increases in consumer goods demand (resulting from higher rural incomes and specialization) needs to be investigated. The complementarity of production and marketing research and improvements is clearly articulated in this objective.

Pricing, market intervention, international trade, and credit policies are good examples of external government policies that would be investigated under objective 4. These are often evaluated in the aggregate or macro sense, but their equity, growth, and efficiency impacts on rural households need to be studied. For example, how does national price policy affect small farmers' production, consumption, storage, and marketing decisions? Also, how do general employment and income expansion programmes affect demand and income distribution at the rural level? Likewise, what are the local impacts on growth and equity of export expansion programmes?

The final objective involves the recommendation of policy and programme changes to improve the rural marketing system. We conceive of this as a marketing package composed of an externally and internally consistent set of prescribed actions which will lead to significant improvements in the well-being of the rural population, particularly the rural poor. Since external linkages to individual rural marketing systems can be strategic, it is important to realize that the minimum marketing package may well include needed improvements in other rural, large urban, or export markets.

Methods and Strategies for Conducting the Research

The principal requirements for conducting the research are that (1) the major part of the research will have to be multidisciplinary, (2) substantial portions of the research will have to occur in rural areas, and (3) a long run byproduct of the research should be the development of local marketing research teams and extension workers who receive continuing institutional support.

Successful multidisciplinary research requires that a general conceptual framework exist on which all relevant disciplines agree. We are therefore calling for the building of a more comprehensive and systematic conceptual framework which permits a clearer understanding of the interdependencies in the economic, social, political, nutritional, managerial, and technical dimensions of rural marketing processes. We are not sure that the present state of the arts, either in systems science or in our understanding of the full complexities of the rural marketing system, would produce a useful quantitative systems model to assist in analysis and policy formulation. However, rural development project designers and administrators need a conceptual rural marketing systems model to assist them in arranging for appropriate design and evaluation research. This research should have a cumulative impact on project managers and help them recognise and evaluate the dynamics of endogenous and exogenous changes associated with the system.

Our attempt to define the major elements of the rural marketing system is a first step in building a comprehensive model. But this conceptual framework needs to be reviewed by the other disciplines and extended to reflect more fully the social, political, economic, and technical variables, and institutions that comprise the system. All relevant disciplines would be expected to broaden their performance accounts to include (1) growth in outputs and associated changes in price levels, (2) income distribution patterns, (3) employment impacts, and (4) nutritional impacts. The units of analysis include, as previously identified, rural households and rural marketing institutions. An important task of the research would be quantifying and describing (1) the production, marketing, and consumption relationships among the various subgroups of households and marketing agents, and (2) the linkages of households and

marketing agents to the exogenous components.

Finally, the importance of creating local applied agricultural marketing research and extension capabilities must be recognized. Even an equity with growth rural development strategy involves constant structural transformation of the rural economy. Research and extension services are continually needed to assist farmers and rural marketing firms in discovering and adopting new technologies, management methods, and institutional forms. Furthermore, the knowledge generated by these services is needed at all levels in the continuing process of agricultural policy formation. Self-sustaining rural development depends heavily upon the availability and leadership that such permanent research and extension capabilities provide. Donor agencies and foreign researchers need to place high priorities on helping to design and implement specific rural development projects which contribute to the establishment of these longer run local capabilities. Micro level research on rural marketing systems can contribute substantially to this goal.

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OPENER'S REMARKS—Louis F. Herrman

How does one conceptually organize a field as amorphous and heterogeneous as agricultural marketing so that it becomes possible to study it coherently and comprehensively, with the aim of formulating specific recommendations for improvement? The earliest approaches to this problem proceeded commodity by commodity, function by function, and firm by firm, guided by efficiency concepts tied to perfectly competitive models. Experience has brought growing dissatisfaction with the results of this kind of research, mainly because we do not get answers to certain kinds of questions that are becoming increasingly urgent.

The concepts of efficiency and competition are not at fault. Failure to abolish certain popular beliefs about middlemen and to generate certain needed recommendations requires a new framework within which to organize micro level research on rural marketing, but the classic ideas of efficiency and competition will remain essential elements of that framework.

The concept of systems is being applied increasingly in many fields of study. We must thank Fox and Weber for their effort in formulating an application to

the field of micro level research in rural marketing. As to carrying out research along these lines, I am somewhat daunted by the implication that micro level projects must henceforth encompass full systems models with a complete set of data collected in the project locale. Constraints of time and money will continue to make this impractical in most cases. Constant awareness of the systems concept, however, will improve the design of smaller studies. Also the concept will beneficially affect the interpretation of results. Some work approaching a full systems model will be useful in most countries, nationalistic proclivities being what they are.

It is difficult to acquire a real down to earth, grass roots understanding of the marketing process at the rural level: the marketing behaviour of farmers, the conditions affecting success of marketing innovations, and so on. There are deeply ingrained public prejudices against the middleman, analogous to formerly held notions about peasant attitudes toward new technology. If a few good systems oriented studies at the micro level can lead to deeper understanding and eradicate some of the prejudices, there will be a more favourable environment for economic development in the marketing sector.

RAPPORTEUR'S REPORT--Aloysius C. Nwosu

How should micro level marketing research be designed to produce more meaningful results? Efforts should be made to understand how the existing marketing system has evolved rather than simply impose preconceived ideas about market structure, conduct, and performance on the system under investigation. Similarly, agricultural economists should lay more emphasis on operational efficiency; that is, how to get the job done in terms of delivering food and other agricultural products to consumers, rather than their present preoccupation with economic efficiency.

There is a need to investigate to what extent rural markets are competitive with a view to assessing the bargaining power of primary producers, the status of rural marketing infrastructure, and rural processing.

A distinction ought to be made between multidisciplinary research as advocated in the paper and interdisciplinary research which is preferred for micro level work. What is probably required is a methodology for making researchers from the various disciplines cooperate and work together harmoniously.

Contributing to the discussion were Osama A. Al-Zand, Ijoyi Fendru, Michael Haines, C. Govind Ranade, and Ammar Siamwalla.