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Chairman: Kamali Nafar *Iran*

Rapporteur: Nityanand *Guyana*

Case Studies of Advances in Marketing in Tropical Countries

J. C. ABBOTT, FAO,
Rome

Most research in marketing is undertaken to solve problems and help in the preparation of development programmes. These purposes reflect recognized needs. The recording and analysis of advances in marketing are apparently regarded as less meritorious of research expenditure and effort. Information on such advances shows up mainly in brief statistics of trade and output marketed and mildly self-congratulatory statements in reports of marketing boards, representational agencies and government departments. Illustrative of this latter would be the chapter on the marketing of pineapple in the report of the Federal Agricultural Marketing Authority of Malaysia.¹ Expansion of smallholder production for canning by 72% over the years 1962–66 is attributed primarily to government sponsorship of an additional canning plant and the work of the Malaya Pineapple Marketing Board which sets annually a factory gate base price for the raw product.

Much more attention to studies of advances of agricultural marketing is evidently needed. Properly carried through they would provide valuable guidance on planning and policy for private and public agencies concerned with marketing operations and improvement. A richer store of analytical material on advances in marketing would also raise the status of marketing vis-a-vis production—still a problem in many countries where decisions on resource allocation are made by departments with little appreciation of marketing's constructive and determining role.² Not least a greater depth of case studies on advances in the marketing of agricultural products would be immensely valuable in training programmes: the bulk of the case study

¹ FAMA *Annual Report and Statment of Accounts 1965 and 1966*, Kuala Lumpur, 1967.

² See ABBOTT J. C. "Marketing issues in agricultural development planning" in *Markets and Marketing in Developing Economics*, edited by R. Moyer and S. C. Hollander, Irwin, 1968, for a review of planning failures due to inattention to marketing and MITTENDORF H. J. "Marketing Aspects in Planning Agricultural Processing Enterprises in Developing Countries" *Monthly Bulletin of Agricultural Economics and Statistics*, Rome, FAO, 17(4), 1968, for an analysis of processing projects in difficulties for the same reason.

material presently available originates from non-agricultural sectors of marketing.³

To serve such purposes, the studies must be much more than mere descriptions of a successful development or enterprise. Adequate coverage of the strategic parameters calls at least for information on the following:-

- (a) identification of the market opportunity;
- (b) planning of a product adapted to consumers' requirements;
- (c) determination of grade specifications, packaging, presentation and timing of sale to maximize returns;
- (d) establishment of appropriate purchasing, storage, transport and handling procedures and organisation;
- (e) mobilisation of finance and risk bearing capital;
- (f) planning of price and sales strategy and promotional programme;
- (g) nature of ownership, management and incentive for initiative;
- (h) climate of assistance and obstacles deriving from the prevailing institutional and political environment.

This paper is intended to introduce a review of advances in marketing in the tropical countries. Very largely these coincide with the economically less developed, though a strict latitudinal definition would exclude, for example, Pakistan and bring in Queensland: Australia. Nor can agricultural marketing in the tropics be tied to a particular set of products. While coffee, cocoa, tea, sugar and oilseeds constitute major sources of foreign exchange, efforts to diversify exports and feed growing domestic populations have directed attention to the marketing of a range of food grains, fruit and vegetables and livestock products that include practically everything produced elsewhere.

Recent attainment of independence is associated with another set of conditions common to many tropical countries, though again there are exceptions e.g. most of Latin America. Success in replacing alien management or in supplying marketing services to peasant producers who were formerly neglected constitute advances for the governments concerned, though the costs and losses en route may be substantial.

Thus advances in marketing can take many forms—applications of new transport or packing techniques, reduction of costs by efficient management, expansion of sales through effective promotion, and provision of new services and facilities. This introductory paper can only point to some examples within this wide ranging spectrum and indicate relevant information sources.

Export marketing

An area of marketing where advances stand out most clearly is that of exporting to foreign markets. Notable progress in new areas of export marketing has been achieved in many tropical countries over the last decade. However, specific case studies are relatively few—surprisingly enough in view of the priority governments attach to foreign exchange earnings,—unless it is

³ The Stanford text *Marketing Management Cases from the Emerging Countries*, BOYD, H. W. *et al.* 1966 424 p. includes a number of food product cases but is oriented to training in problem solving.

to be assumed that their interest is to stress the need for additional exports and keep quiet about achievements. Thus a recent Indian publication on export marketing cases⁴ treats three concerned with agricultural products: bananas, solvent extracted oil cakes and coffee. However, these are all problem cases not advances. As regards the tropical countries as a whole, banana marketing was very successful during this period: total annual exports rose in value 1962–67 from U.S. \$317 to 454 millions.⁵ Under the pressure of competition and the closing of the Suez route to Italy, the Somalia exporters carried through a 100 per cent switch in varieties, a drastic business re-organisation and the introduction of vacuum packing of standard finger lots in cartons with cryovac liners.

A combination of private initiative and public provision of slaughtering and chilling facilities has built up since the mid-1950s an export trade of beef by air from Chad of over 4,000 tons per year; it has raised producer prices in the livestock supply area to double their former level. With little official assistance private firms in Taiwan have developed exports of canned mushrooms and asparagus to Europe and the United States to \$56 million in 1967; five years earlier mushroom exports amounted to only \$8 million and the asparagus trade had not yet started. The successful marketing in the United Kingdom of meat from the Lobatsi abattoir in Botswana is noteworthy considering the general difficulty of African countries in directing their important livestock potential into profitable European markets. Also notable are the recent advances in marketing organisation for air transport of off-season fruit and vegetables to Europe from Kenya Senegal and Ethiopia, and the build up through marketing, organisation, including an inter-co-operative Thai-Japanese trading agreement; of maize exports to the value of \$65 million from Thailand.⁶

Domestic marketing of basic foodgrains

Grain price stabilization mechanisms to stimulate production and cushion consumers against sharp fluctuations in price between seasons and from year to year have been established in a large number of tropical countries. By 1960 grain offices, supply institutes, marketing boards or branches of government ministries had assumed responsibility for stabilization programmes in the majority of Asian, Near East and Latin American countries. Comparable grain marketing stabilization mechanisms in African countries were at that time limited to the East and South East bloc, where expatriate producers had a significant influence. Since then Chad, Dahomey, Ethiopia, Ghana, Mali, Niger, Senegal, the Sudan and Upper Volta have set up grain marketing boards. Necessarily it will take some time before the desired impact is

4 WINTER, L. G. and MEHTA S. S. *Export Marketing Operations—A Case Study Approach*, Delhi, Indian Institute of Foreign Trade, 1969, 410p.

5 CHUANG, W. F. *A Study of banana marketing in Taiwan*, Taipei, Chinese American Joint Commission on Rural Reconstruction, 1957 30p. refers

6 CHAIYONG CHUCHART, SUTTON G. R. and ARKHOM SOOTHIPAN *Production and Marketing Problems affecting the Expansion of Corn Growing in Thailand* Kasetsart University, Bangkok 1962, 91p. deals with an intermediate phase.

achieved in all cases.

Analytical case studies of grain price stabilization systems are also scarce. Few boards publish enough information on their own operations to provide a basis for efficiency analysis. Important policy issues for the Kenya Maize marketing board were opened up in the Miracle attack and the Haller rebuttal in the East Africa Economic Review.⁷ Some analytical work has been done under FAO auspices in spite of the difficulties in developing measures of advances in marketing attributable to marketing boards.⁸ FAO assistance has been directed particularly to ensuring that the base prices established by central marketing agencies were actually in effect at the individual farm level. This was the main purpose of a series of case studies commissioned in preparation for a technical meeting on Implementing Food and Agricultural Price Stabilization Policies in Asia and the Far East held at New Delhi in 1963.⁹ That for Pakistan demonstrated an effective working mechanism as of that date.¹⁰ How it could later break down for rice under the pressure of sharply increased yields following a rapid and widespread adoption of higher yielding varieties was made clear by Efferson in 1969.¹¹

The grain marketing institutes of the Central American countries have proved themselves, in the main; this was demonstrated in a 1963 study which included measurement of marketing margins before and after introduction of stabilization mechanisms.¹² Leurquin's case study of rice development in Colombia indicates limitations and errors in price stabilization efforts on the part of the National Supply Institute (INA)¹³. However, general acceptance of the rice purchasing grades introduced by INA proved also an effective stimulus to the adoption of improved varieties.

Market institutions to assure perishable food supplies to large cities represent another great challenge. Urban populations have risen rapidly in the tropical countries. In many cities wholesale market facilities intended for much smaller numbers and older methods of transport and communication are now poorly sited, congested and inadequate. Decisions to move a whole-

7 MIRACLE, M. "An Economic Appraisal of Kenya's Maize Control" and the rejoinder by HALLER, A. A. *East African Economic Review* 6: 117-132, Dec. 1959.

8 ABBOTT, J. C. and CREUPELANDT, H. "Agricultural Marketing Boards in the Developing Countries: Problems of Efficiency Appraisal" *Monthly Bulletin of Agricultural Economics and Statistics* 16(9) 1967: 2-11 and "Stabilization of Internal Markets for Basic Grains: Implementation Experience in Developing Countries" *Ibid* 18(2) 1969: 2-11.

9 See FAO *Implementing Price Stabilization Policies in Asia and the Far East*, Rome, 1963. Most of the Asian countries were covered—also FONSEKA, J. V. "The Guaranteed Price Scheme in Ceylon" *Indian Journal of Agricultural Economics* 18(2) April/June 1963: 1-8.

10 HUSAIN, S. A. *Impact of Government Price Policies on Wheat at the Farm Level*, Karachi, mimeographed, 44p. 1963.

11 *Observations on Current Developments in Rice Marketing in West Pakistan*, Lahore. Mimeographed paper for the Planning Cell, Agriculture Dept., Government of West Pakistan, 1969, 44p.

12 Permanent Secretariat of the General Treaty on Central American Economic Integration, *Los Granos Básicos en Centroamérica y Panamá*, Guatemala, 1963.

13 LEURQUIN, P. P. "Rice in Colombia: A Case Study in Agricultural Development" *Food Research Institute Studies* 7(2) Stanford 1967: 217-303.

sale market to a new site have taken long enough in European cities: it is not surprising that only now are such shifts being implemented in the tropical countries.¹⁴ It is early to expect many case studies of the resulting improvements; though a project with the ambition of the Greater Manila Terminal Wholesale Market will certainly attract some in the Philippines where agricultural economic post-graduates have been encouraged to do marketing theses since the early fifties. Information on the success of the Hong Kong government in establishing in the 1950s a new wholesale vegetable market with transport arrangements organized around local assembly co-operatives has been available from official reports.¹⁵ With the original goal of freeing the market from oligarchic wholesaler domination achieved, some of the public authority procedures are now considered laborious.

Often the most difficult step in improving urban food supply channels has been to break down restrictive municipal and associated group wholesaler monopolies. Municipal abattoir monopolies backed up by a parochial approach to inspection requirements have been a long-standing obstacle to livestock and meat marketing development, in Latin America especially. Meat now comes into Santiago, Bogota and Lima from slaughterhouses in producing areas with concrete benefits to producers and consumers alike.¹⁶

The organisation in a number of tropical cities of large scale food retailing enterprises with improved purchasing arrangements at the wholesale level constitutes another substantial advance in marketing. Some of the earliest supermarket ventures in the developing countries proved premature, but scope for successful introduction was already demonstrated by IBEC and other firms in Venezuela and Puerto Rico in the nineteen fifties.¹⁷ How Bom Preco, integrated back to rice milling, could force other retail chains to bring down their margins in Recife is brought out clearly in the recent Michigan State University study.¹⁸

Co-operative marketing

One of the persistent and basic problems in the development of agriculture and marketing in the developing countries is to link the small farm producer effectively to the main marketing channels. In many areas transport difficulties, limited market contacts and indebtedness to local shopkeepers and merchants are still a deterrent to greater production effort. With associations and co-operative unions to sell their crops and provide requisites

14 Lima, Medellin, Sao Paulo; Lahore (favoured by a period of martial law in Pakistan), Delhi, Manila, Nagpur, Soul and Dakar are examples—also Amman, Kuwait and Tripoli in the Near East.

15 E.g. MASON, R. R. and LUNG, K. C. *The Vegetable Marketing Organization 1946-68* Hong Kong, Agriculture and Fisheries Department, 1969, 33p.

16 See, for example, GLAESSNER, P. *Economic appraisal report on the Lo Valledor meat packing and cold storage plant* Santiago, University of Chile, 1959, 105p.

17 Latin America Studies Center, Michigan State University *Market Processes in the Recife Area of North East Brazil* East Lansing, 1969, 613-619.

18 HOLTON, R. H. "Food Retailing and Economic Growth" *Journal of Farm Economics* 36(2) May 1956: 356-360.

on credit such farmers can obtain more bargaining power in their dealings with traders and a prospect of higher returns.

Because of the rapid rate at which co-operatives have been promoted in some countries and the heavy responsibilities put upon them in relation to their limited resources and experience, performance has often been disappointing and competition with private traders largely unsuccessful. Nevertheless, in countries such as Taiwan, Tanzania and Tunisia, co-operatives have for several years been coping with the marketing of major crops on a national scale. There are also individual examples of co-operative initiatives that have achieved striking marketing advances, witness the Anand milk producers' co-operative in India and the Cotia Co-operative in Brazil which supplies a large port of the vegetables consumed in Sao Paolo.

There is no lack of case studies in this sector of marketing. Co-operative development is politically popular and publicity is welcome to its managers. Often lacking, however, is quality of analysis to identify and appraise by relative significance the factors which determine co-operative success. It would help direct public assistance to co-operatives along the lines promising greatest returns if this were pushed much further. The authors of the study¹⁹ on the Kigezi vegetable marketing co-operative which sells effectively in Kampala the produce of 2,500 producer members are well aware of such considerations. An FAO attempt to provide such guidance for co-operative processing undertakings is being based on case studies of successful marketing co-operatives in Camerouns (coffee), Costa Rica (milk), India (cotton and sugar), Iraq (dates) and Uganda (cotton), inter alia.

Expansion of specialized marketing channels

In many tropical countries major marketing operations have long been carried out by alien enterprises. It has been government policy to foster greater participation by nationals. In the first stages, this may not necessarily be associated with greater efficiency; the measures used—licensing etc.—to reduce domination by aliens generally have the effect of restricting competition. However, where this movement proceeds along with continued presence of the former dominant group there are grounds for considering it an advance. Larsen and Sarasup's study of poultry marketing in Thailand indicates a trend for greater participation by Thais but leaves consideration of the determining factors (and the costs) implicit.²⁰ Papers on the growth of nationally managed enterprises in groundnut and other produce marketing in West Africa are also available.²¹ Significant advances have also been achieved, since independence, in the marketing of eggs and poultry in West Africa countries; though the problems apparent when saturation is reached at a given price level tend to receive major attention in the literature. Cold storage

19 SCHERER, F. *The development of smallholder vegetable production in Kigezi, Uganda* Munich, IFO Institute for Economic Research, 1969.

20 LARSEN, P. B. and SARASUP, W. *Marketing of Chickens in 11 Provinces in the Central Region of Thailand*, Bangkok, Ministry of Agriculture 1968 75p.

21 E.g. La Commercialisation de L'Arachide au Sénégal en 1964–65 *Bulletin de la Banque Centrale des Etats de l'Afrique de l'Ouest* (123) Nov. 1965. 16p.

channels for perishable food products are expanding fairly rapidly in the tropical countries where foreign exchange to purchase equipment is available. Local manufacture has favoured construction of cold stores in India and there has been no lack of enterprise to put it to commercial use.²²

Contract and other systems of integrating production and the processor-wholesaler have been introduced successfully in many tropical countries. Tobacco marketing has been a leader. A case study of the Hindustan Lever pea processing project at Ghaziabad which has brought some 400 producers into a tightly integrated channel based on specific market demand studies and trial pricing was presented at a recent FAO meeting in Manila.

Studies are also needed of projects to develop markets in the tropical countries for products of which increased sales would be in the general interest, but for which there is not always an immediate demand. Obvious examples are fertilisers and low cost protein foods. The 'rather remarkable' expansion of fertiliser sales in Pakistan following the change over from extension service to commercial distribution was reported by Falcon and Gotsch in 1966.²³ The development of Incaparina sales in Central America and Colombia, of ProNutro in South Africa and more recently Superamine in Algeria, have been featured at various nutritional conferences. Some of these, and other less successful projects, were worked up into graduate studies for the Harvard School of Business.²⁴

Government marketing services

Significant contributions to marketing efficiency are forthcoming from improvements in public facilities and services. Government awareness of the need to establish competent marketing policy forming, extension, information and related services has increased substantially over the last decade. Some countries such as Iran and Uganda now have what amounts to a ministry of agricultural marketing. However, Spinks' recent review of attitudes towards marketing in South East Asia provides a measure of how far there is still to go.²⁵ Too often a new institution is set up to implement a 'crash programme' without any real understanding of the structures with which it should be working. Here again case studies of improvement are few—most probably because of the difficulty of appraisal, since access to information and official goodwill should be assured. Some types of government services produce quantitatively measurable results however. The Indian Directorate of Marketing and Inspection assessed the gains to farmers from elimination of abuses and unnecessary charges under a market regulation

22 The Bihar Department of Agriculture *Report on the Survey of Cold Storage in Bihar* (Patna, 1960) provides an instructive account of reduction in charges consequent on the opening of new stores.

23 FALCON, W. P. and GOTSCH, C. H. *Agricultural Development in Pakistan: Lessons from the Second Plan Period* Cambridge Mass., Harvard University Press 1966.

24 Published as *The Protein Paradox* Boston Mass., Management Reports 38 Cummington St., 1963.

25 SPINKS, G. R. "Attitudes towards agricultural marketing in Asia and the Far East" *Monthly Bulletin of Agricultural Economics and Statistics* 19(1) 1970: 1-9.

programme at \$18 million as of 1959.²⁶ An increase of \$20 in average export prices per ton for edible peanuts has resulted from the implementation of a national export quality control programme.²⁷

Agricultural market news services in 14 Latin American countries were appraised recently under a programme of studies preceding an FAO technical meeting.²⁸ Much more analysis in terms of numbers of trained men, operating methods and costs is needed if case studies in this area are to serve the purpose that might be expected,—of guiding governments on the scale, procedure and budgets of services adequate to stimulate an optimum pace of improvement in marketing efficiency.

Increasing numbers of men from the developing countries have now received some systematic training in marketing.²⁹ Their presence may be felt by the visiting specialist in more immediate understanding of concepts, more contacts, and greater receptivity to ideas and proposals for collaboration. A proportion, of course, have not continued to work in the subject areas for which they were trained and others have failed to build on the opportunities they were given. Here also is a rich field for studies focussed on particular training systems, selection criteria and arrangements for follow up.³⁰

Concluding remarks

There is a rich and varied field for case studies in advances in marketing in the tropical countries. Some areas of progress have been identified and information sources indicated. However, only a fraction of the ground has been covered and few treatments are focussed on the positive achievement and appraisal of the factors behind it. The contributions forthcoming under this part of the conference programme should go some way towards remedying this deficiency. They can also be expected to provide models on which others can build. The role of the research worker will be to contribute sound analyses in a neglected field. Teachers will benefit from the greater availability of case material for training. Those concerned with marketing improvement efforts will gain from the more abundant and explicit evidence of the major economic developments they can bring about.

26 CHATTERJI, N. P. "Agricultural Marketing in India" *Agricultural Marketing* 3(1) Nagpur, 1960.

27 GRUMBLAT, W. *Report to Government of Libya on Marketing, Grading and Inspection of Agricultural Products* FAO/EPTA Report No. 1870, Rome 1964.

28 FAO *Agricultural Market Information Services in Latin America* Report of a meeting held at Lima, Dec. 1969, Rome 1970 70p.

29 More than 300 participated in FAO training centres and technical meetings during 1969. For each of the three last years 50 to 70 were registered for marketing courses offered by the Latin American Marketing Institute at Bogotá. Parallel facilities for training in marketing have been available under bilateral US, UK and German programmes.

30 See *Training in Agricultural Marketing* Rome, FAO 1968 50p. (Report on the International Expert Meeting on Agricultural Marketing Training held at Berlin, in January 1968).

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There was general agreement with the paper presented. Contributions therefore were concentrated in providing further support particularly on aspects which had been given only slight attention.

Emphasis was placed on the low status accorded marketing vis-a-vis production in agriculture. This is because in most underdeveloped countries the effects of inadequate or inefficient marketing facilities has not been recognised.

In subsistence economies marketing does not pose a substantial problem but as the economies move out of subsistence status to commercial farming the need for adequate marketing arrangements assumes an important position if there must be a sustained increase in production. Marketing needs in a situation of expanding production have been identified as:

- (1) To eradicate losses of commodities produced
- (2) To promote growth in productive sectors
- (3) To assist in effecting greater balance in income distribution.
- (4) To increase incomes through increased production and product improvement.
- (5) To acquire increased foreign exchange in the export sector.

It was felt that marketing needs are so interconnected with general economic and social conditions, that nothing short of a comprehensive approach involving the whole social and economic structure, can bring about the desirable changes envisaged in the field of marketing of agricultural produce.

In order to canvass administrative and financial support for projects designed to study and improve marketing conditions it might be interesting to undertake calculations on the income loss to farmers and the economy as a whole as a result of marketing inefficiency. In planning for improved marketing arrangements however, the need was stressed to give adequate attention to both the export and domestic marketing sectors.

The mode of production provides the framework for determining marketing arrangements. Systems of production under colonial and feudal conditions were associated with modes of disposal which cheated the peasant of much of the income which was earned from his produce. The same is true of many monopolist marketing corporations. It is because of these features that co-operative marketing by producers is generally stressed. Co-operative marketing tends to enhance the bargaining power of the small operators.

Co-operative organisations like any other type of organisation generally face a transition period after their formation. Difficulties during the transition period however, would be greatly minimised if the way is properly prepared for co-operative functioning. One approach would be to begin with an organisation for collecting commodities which are already produced. This could be followed by contracting with producers to supply certain types of commodities with quantity and quality specifications. This creates an opportunity for the supply of inputs and undertaking advisory work which can include formation of co-operative marketing organisation. The U.S.S.R.

has approached the complicated marketing problems by 'ordering' production and marketing in its national plan.

In some countries like the Sudan, oligopolistic wholesalers who supply credit to both producers and retailers control the storage facilities and have much influence on the political administration, act as great bottlenecks to the formation of co-operatives.

Indian studies have revealed that at any point of time the prices received by small and big producers do not differ very much in any given place. The time of sales, however, between the two categories generally differs. The small producers sell immediately after harvest and receive a lesser price than the large producers. This seems to have general applicability. The difference is due to the variation in (a) the capacity to wait for a better price which is linked up with credit (b) access to storage facilities. It is possible for small producers to improve their marketing efficiency by market mergers.

Very often large scale storage and processing are undertaken by middlemen who very soon acquire large monopolistic profits. Co-operative marketing associations which deal in small transactions have been found to be ineffective in providing the necessary countervailing power. The main policy goal of the co-operative therefore is to achieve horizontal integration of small co-operative associations. It would also be necessary to achieve vertical integration between processing and marketing.

The absence of competition is a likely situation for inefficiency in operation. In many countries where monopoly state marketing corporations exist the mechanism of periodical commissions to examine the operations have been introduced. The report of these commissions are made public.

Great emphasis was also put on the need for better transportation and grading schemes in undeveloped countries. In Pakistan (East) it was demonstrated that the use of tractors for hauling produce to consuming centres made a considerable difference to farmers' incomes. As regards standardisation and grading of products, it was felt that great advantage could accrue to primary producing countries if for both the domestic and international markets, schemes for grading and standardisation were introduced.

The role of air transport of agricultural perishables was discussed and it was felt that in certain situation e.g. where prices are very high because of difficult access by other means of transport or acute shortage of nearby supplies air transport fulfils an important need. So far however, it has been a by-product of the passenger service by making use of surplus space. The main difficulty so far has been the absence of two way cargoes.

Among the participants in the discussion were: Dr. A. Sattar *Pakistan*, Professor B. Milosavljevic *Yugoslavia*, Fr. De Farcy *France*, Professor K. J. Lapkin *U.S.S.R.*, Mrs M. C. Simpson *I.K.*, S. A. O. Mirzoev *U.S.S.R.*, G. Parthasarathy *India*, Y. G. Onifriev *U.S.S.R.*, Madame Bagayoko *Mali*, J. Sturgess *Australia*, Theodore Dams *F. R. Germany*, Dr. Kuprianov *U.S.S.R.*