



**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](mailto: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.*

**INTERNATIONAL**  
**JOURNAL OF**  
**AGRARIAN AFFAIRS**  
**Vol. III, No. 3, September 1962**

**Contemporary  
Problems in  
the Economics of  
Agriculture**

*Produced by the  
University of Oxford Institute of Agrarian Affairs  
in conjunction with the International Association  
of Agricultural Economists*

Price 10s. 6d. net

**OXFORD UNIVERSITY PRESS**  
**LONDON**

## GROUP 8 (b). MARKET PRACTICES

*Chairman:* L. B. Darrah, *U.S.A.*

*Secretary:* Alex H. Turner, *Canada*

### *Consultants*

G. Bublot, *Belgium*

R. A. Patterson, *Australia*

James R. Bowring, *U.S.A.*  
Arthur Domike, Jr., *U.S.A.*  
H. H. Erdmann, *U.S.A.*  
W. K. McPherson, *U.S.A.*  
J. Mario Ponce, *Honduras*  
Richard Pringle, *U.S.A.*

Harold Riley, *Colombia*  
R. A. Russell, *Rhodesia*  
Fabian Tionson, *Philippines*  
Piet van Waeyenberge, *Belgium*  
Bennett White, *U.S.A.*

*Common markets.* Discussion centred on the need and reasons for common markets and on their likely effects internally and on third countries. Agriculture and the marketing of its products are expected to be integrated in both the European and the Central American Common Markets.

Projections of supply and demand (with any protection necessary for traditional products) have been made to help in establishing price policies. Eventually, it is considered essential that there be free movement of people, goods and capital in common-market areas. Agriculture offers the most difficult problems. The Central American Common Market has more of the aspects of a central selling agency than has the European Common Market, but will also try to attract industries, including processing plants for agricultural products, and locate them economically.

*Grades and standards.* Observations were made as follows: (1) inefficient handling and inadequate market information are often a result of a lack of grades and standards; (2) variation in farm products often makes it necessary to use only general grades initially, and difficult to get proper separation or description when more specific requirements seem necessary; (3) central or terminal market acceptance of grades and standards is usually necessary if they are to be effective. Government decrees are not enough. Anything but a realistic set of objective standards is not acceptable to buyers; (4) grades and standards have to be geared to consumer demand based largely on incomes. However, transportation or other facilities may allow little attention to be given to consumer preferences; (5) location with respect to final markets and the question whether buyers will pay for grade

differentiation are important considerations; (6) standards of weights and measures and realistic health standards should be considered first. Grade differentiation may follow if there are sufficient consumers to pay for it.

Attempts should be made to improve marketing in harmony with domestic and export conditions including, in some cases, government control to ensure fair prices to producers for the appropriate qualities marketed.

*Market services.* A market economy needs transport facilities. Usually central governments assist with major transportation systems leaving feeder systems to be developed by local governmental units and producers. In most developing countries each little town or village has its own market with little or no communication with major markets. Changes in handling methods may increase or lessen the need for transport facilities so countries should weigh the cost-benefit situation before making heavy capital expenditures.

*Proper storage* protects against rodent, insect and other damage as well as helping to stabilize supplies and prices. It should pay for itself but governments may help with partial subsidies. If producers and others do not use the facilities, or are not sure they can benefit from storage, governments may find themselves subsidizing uneconomic facilities.

*Processing* makes a greater variety of products available to consumers, lengthens the marketing seasons, and provides an outlet for surplus crops. In many developing countries there is a need for more processing for such items as oil crops, but it may be unwise in tropical areas where fresh crops continuously compete on the market. In some cases, capital expenditure for processing cannot be justified unless economic use can be made of by-products.

In developing countries there is less need for specialized retail packaging than in more fully developed countries. In the initial stages of marketing, it may be more effective to bargain for price rather than to bother with packaging.

*Price policies.* Three considerations underlie minimum-price policies: first, the desire to provide farmers with a reasonable price to induce orderly production; second, the desire to provide consumers with stable prices for the major items; third, the desire, mainly in those countries where a significant proportion of production is tied to the export market, to provide a guaranteed minimum price which protects



GROUP 8 (b). MARKET PRACTICES

*First row, left to right:*

Alex H. Turner, *Canada*  
L. B. Darrah, *U.S.A.*  
R. A. Patterson, *Australia*  
G. Bublot, *Belgium*  
H. H. Erdmann, *U.S.A.*  
Fabian Tionson, *Philippines*

*Second row, left to right:*

W. K. McPherson, *U.S.A.*  
Richard Pringle, *U.S.A.*  
J. Mario Ponce, *Honduras*  
Bennett White, *U.S.A.*  
Harold Riley, *Colombia*  
Arthur Domike, Jr., *U.S.A.*  
R. A. Russell, *Rhodesia.*  
James R. Bowring, *U.S.A.*

producers from widely fluctuating export prices so as to promote stable production.

*Co-operatives.* In most under-developed countries, improved marketing of farm products can best be achieved by establishing producer co-operatives. This can best be done by statutory marketing boards or marketing agreements. Experience has shown that management is one of the most important factors for their success or failure. Allied with the problem of management are the difficulties caused by complex marketing arrangements within the co-operatives which are not understood by the members. Governments can help by giving co-operatives some protection in the initial stages. Once co-operatives are efficient, protection should be relaxed.

*Improvements.* Governmental and educational agencies should give attention to marketing research so that related teaching, experimental work, and participation in actual market operations may be approached on a broad and informed base. Frequently teaching is based on the theory of pure competition rather than on a more realistic situation involving monopolistic competition, especially with some commodities. Lack of marketing knowledge also limits the effectiveness of marketing specialists who are asked to aid developing areas.

Study or action proposed was: (1) broad analysis of all activities in a market, especially public markets; (2) analysis of flow of products at all levels and appraisal of changes in demand that might be brought about as a result of market improvements; (3) more exchange of personnel between countries at different stages of development rather than within developing and developed countries respectively.

In the evolution from early marketing stages to improved market conditions there should be (1) sanitary and health regulations for public markets; (2) regulations (by government agencies or trade) concerning market operations that make for separation of retail and wholesale functions; leading to (3) improvements in display and caution in approaching some of the costs found in developed countries resulting from packaging and sales-promotion devices. It would also allow for orderly substitution of capital for labour which is not usually scarce in developing countries; (4) improved market information best done by a governmental agency.

Pilot projects are an important means of testing the value of marketing improvements. Generally, improvements should proceed with due regard for qualitative and quantitative resources available.

Often more progress can be made if a strong, fair and reasonable government gives adequate support to avoid waste of capital, labour and product. Attention should be given to scarce resources and incentives necessary to give satisfactory direction to market improvements.

*General.* Both market and production technology are moving forward rapidly in most underdeveloped countries as capital and technical skills become available. It is the policy of some countries to achieve self-sufficiency only. Others desire to develop an exportable surplus as quickly as possible so as to gain foreign exchange for the importation of capital goods essential in further development. In either instance, efficient marketing is of growing importance in a developing economy.