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BACKGROUND PAPERS FOR DISCUSSION

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ATTITUDES TOWARD AGRICULTURAL MARKETING IN
ASIA AND THE FAR EAST

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Although considerable progress has been made, particularly over the last decade, agricultural growth in the developing countries has not attained the levels anticipated by governments and various foreign aid programmes. A major reason for this disappointing position is that not enough attention has been devoted to facilities and services which must be available to farmers if agriculture is to develop. Although opinions differ as to extent and precedence, there is general agreement that the question of markets for agricultural commodities has been neglected. Other facilities overlooked or not sufficiently stressed are extension services, availability of inputs, production credit, appropriate price policies, etc. While the importance of these facilities is recognized, this paper will deal only with agricultural marketing--which is considered the most crucial.

Agricultural marketing has not yet been fully accepted as an essential element in agricultural development in the countries of the region. Therefore, it has failed to develop and, in consequence, many agricultural development programmes have not succeeded in reaching the goals set

* Extract. Monthly Bulletin of Agricultural Economics and Statistics, Vol. 19, No.1, January 1970.

for them.¹ The reasons for this situation lie mainly with the governments of the countries concerned, but also with multi and bilateral aid agencies. The principal cause is the lack of understanding on the part of government officials of what constitutes agricultural marketing, particularly on the part of officials at the policymaking level. Linked to this are the problems of uncritical acceptance of opinions and impressions as fact; unwillingness to appreciate facts which are contrary to the opinions held by high-level officials and/or contrary to government policy; inability or unwillingness to acknowledge that facts become outdated because of structural changes in the agricultural sector of the economy; and general bureaucratic procedures.

In the light of this situation, it would be opportune to state the accepted definition of agricultural marketing. "In its widest sense agricultural marketing comprises all the operations involved in the movement of food and raw materials from the farm to the final consumer."² It also includes aspects of the organization of raw material supply

1 "Market reform ought to be an integral part of any policy for agricultural development... Marketing is as critical to better performance in agriculture as farming itself and should be regarded and developed as such". A conclusion of the Report on the Conference on Productivity and Innovation in Agriculture in the Undeveloped Countries, p. 80. As quoted in Soen, Sie Kwat. Prospects for Agricultural development in Indonesia. Wageningen, Centre for Agricultural Publishing and Documentation, 1968, p. 129.

2 Abbott, J.C. Marketing problems and improvement programs, Rome, FAO, 1958, p.1.

to processing industries and the marketing of processed products, including an assessment of demand, as well as policy relating to agricultural marketing. It is this broad coverage of the subject which is seldom understood in government departments and by people who work primarily in the production field.

There are several ways in which the relatively poor showing of agricultural marketing in assisting the development of agriculture can be illustrated. A review of the government sections or departments, the personnel and their functions in the various countries would make manifest the limited manpower resources devoted to marketing. However, though useful, this would provide no evaluation of the reasons for the prevailing state of affairs. Nor does it offer a means of isolating present and future problems which are common to the region. The problems call for a more detailed examination of the factors underlying this situation.

Government attitude toward agricultural marketing

The most noticeable feature is that the concept of marketing tends to be restricted to the assembly of produce at the first market, or to the sale of produce on export markets. Such an approach can be observed at international meetings on agricultural development, where one of the main problems often voiced is that of the "marketing of our products". However, when the subject is raised as a specific agenda item, comments are either related only vaguely to the agenda title, cover one aspect of marketing such as transport and exports, or attempts are made to point out that there is really no marketing problem at all. The relationship between

marketing and production is overlooked and the possibility that marketing must play an important role in agricultural development is seldom considered. A similar situation exists in respect of increased efficiency in the marketing of agricultural products and its importance in economic development.

It is not proposed that governments avoid intervention in the marketing of agricultural produce, since an examination of any country in the region will indicate areas where determined appropriate government action could improve efficiency. Unfortunately, most government participation has been based upon inadequate and faulty advice, with the belief that ills can be cured by governmental decree alone. The common practice of issuing marketing legislation without any attempt to implement it is an example of this attitude. In short, a more objective approach toward the marketing of agricultural commodities needs to be undertaken by governments and, in many instances, by their advisers, both national and international.

Bureaucratic factors influencing this attitude

The reasons for the lack of understanding of agricultural marketing are many, and in some instances interrelated. The following bureaucratic factors are not listed in order of importance, but as regards "newness" of the subject matter, to which governments must grant high priority.

A New Field

In most of the countries of the region, any department, division or section of the government service responsible for agricultural marketing has a relatively short

history. In several countries, there is no individual group entrusted with agricultural marketing matters. The longest histories of government marketing services have been with the ex-colonial countries, particularly the formerly British.

Few agricultural marketing sections have as yet established themselves as an integral part of the bureaucracies within the region. This situation is reflected in the various ministries involved in marketing functions and services. Responsibilities are often divided, and cooperation between the ministries involved or even between sections of the same ministry is seldom achieved or even attempted. Duplication is also fairly common. The position can be further complicated by ministerial rivalries.

The reason for this state of affairs appears to be that, at certain stages of agricultural development programmes, problems have invariably arisen relating to specific aspects of marketing. In their desire to provide answers or action, governments have designated responsibility to ministries in relation to their relative importance in overall governmental policy. The belief in the "crash programme" approach to all problems is a reflection of this as far as agricultural marketing is concerned. Seldom is consideration given to the way in which the suddenly allocated responsibility fits into the structure or normal responsibilities of the ministry chosen for the job.

In some countries which have experienced acute food problems, there has been a proliferation of government departments engaged in various aspects of marketing. It will be interesting to see whether these ministries will be willing to relinquish their responsibilities either voluntarily or under compulsion once the crises are

solved. As new departments have become institutions in their own right, it is likely that they will retain a wide range of marketing functions and related services.

The confusion of the situation is intensified by the special position afforded cooperatives in government services. They tend to be considered separate and distinct institutions. Only limited reference is made to the fact that a cooperative engaged in marketing is a form of marketing enterprise and that its functions fall within the definition mentioned previously. In some countries, the alleged social benefits accruing from the cooperative movement are given greater emphasis than the commercial activities. Workers in the field of cooperatives tend to see this form of marketing organization as sacrosanct. Those associated with agricultural marketing are very much concerned about the movement but view it as another marketing system, along with statutory marketing boards, government marketing agencies and the competitive free enterprise system. Actually, one would like to see all types of marketing agencies competing with each other to provide the most efficient services to producers and consumers. However, such competition should not be subsidized nor granted monopolistic privileges.

Also indicative of the limited understanding³ of

3 The lack of understanding of agricultural marketing is not confined to governments. There is a general tendency to try to solve problems by recommending the establishment of other marketing organizations without detailed examination of the situation. Usually the most favoured alternatives are cooperatives and marketing boards. This attitude is illustrated in an editorial of the Bangkok Bank Monthly Review, The question of crop marketing, September 1968, 277-279, Bangkok, Thailand.

the subject is the vigour with which governments have pushed the cooperative movement despite a large measure of failure. The most serious problem facing cooperatives at the present time is their legacy of failure. This alone will make attempts at regeneration difficult because of producers' increasing attitude of scepticism. An objective evaluation of the reasons for failure would be more valuable.⁴

Lack of coordination of agricultural marketing responsibilities and their dispersal among various ministries, and the resultant duplication of effort, are themselves indicative of the fact that governments do not understand the subject. It is also further evidence that the demands for an efficient agricultural marketing department within the bureaucratic structure of most countries are not strong enough to enforce a policy of coordination or cooperation.

The "Low" Status of Agricultural Marketing Sections

It is difficult to generalize on this aspect of the problem, but overall experience tends to indicate that the sections associated with agricultural marketing have a lower status rating within the government service than others of equal size (size being determined by the number of staff). Where the marketing section has been granted

4 "Of the 602 Philippines farmer cooperative marketing associations listed as being in existence in 1967, only 217 were active. Millions of pesos of government money were pumped into these cooperatives in the hope of improving rice and corn marketing in the Philippines". Korzan, Gerald E. Cooperatives and economic development. Thailand Development Report, 4(3), December 1968, Bangkok, p. 8.

status within the government service, it sometimes reflects an association with another, "recognized" field of study, particularly agricultural economics and/or farm management or, in some instances, the personal interest of a senior government official. Little status derives from government recognition of work performance.

The status of agricultural marketing within the government services is also reflected in the overall quality of the staff. Often it is below that of the older and more accepted sections of ministries. Leadership and coordinated planning are seldom to be found and few of the elite among university graduates are assigned to marketing. Discussions with the more qualified and better trained personnel, particularly the younger groups, reveal that many are anxious to move into those sections of government endowed with more privileged status and/or better prospects of promotion. As a result, agricultural marketing is sometimes deprived of the best elements among its staff, even those who have studied abroad and/or have had specialized training. They are assigned to other functions in government service.

Bureaucratic Procedure

Bureaucratic procedure varies throughout the region, but there are several aspects which have had, and will continue to have, an adverse effect on efforts to raise the status of agricultural marketing. These characteristics do not apply solely to marketing, but because of the "newness" of the enterprise they are particularly relevant.

Many bureaucracies place much reliance on personal contact between superior and subordinate and only limited reliance on impersonal and objective reports and studies.

This lack of objectivity within the government service appears to be increasing. With the extension of government responsibility in the economic life of the region, fewer of the civil services are equipped or willing to accept information from specialized departments. The function of the specialized groups should be to generate and pass on an impersonal flow of data which would serve as a basis for policy. However, in some countries the situation is reversed, in that important decisions are often made without the cooperation of specialized groups.

As a result of these circumstances, and due to the uncertainty of status within government service, the heads and other members of the agricultural marketing section are often reluctant to forward data which may run counter to the opinions held by their superiors or to government policy. (It is suspected, in some instances, that contradictory data are withheld, so that agricultural marketing tends to play a passive role, and the sole objective of work programmes is to maintain the status quo.) Marketing staff are often reluctant, even when funds are available, to study problems at first hand. This is sometimes the result of poor or inadequate training, but it also reflects the government attitude toward agriculture in general, namely, a paternalistic approach. The reluctance stems also partly from the fact that the complexities of the problem and the risks involved in setting up improvements or alternatives are too high. In some cases it is a conviction, often valid, that superiors will not read or act upon the findings of a field study. Evidence of this may be seen in that the most challenging publications and reports on agricultural marketing and, in particular, those demonstrating a more objective approach to the subject, originate from international workers or from national

groups associated with institutions independent of governments. Unfortunately, the range of these studies has not been very wide to date.

In many instances, international advisers attached to multi- and bilateral economic aid-giving agencies have also tended to maintain the "status quo approach". Government marketing policy has not been questioned even when the empirical evidence available casts doubt on the validity of the assumptions upon which such policy is based. Here, however, it should be emphasized the international marketing adviser often works under severe stress in terms of need for adjustment to differing conditions, limited time and the overriding demand of governments for "recommendations". His opportunities to raise basic issues effectively are limited, unless he has personal access to officials at a very senior level, a situation almost unknown in the field of agricultural marketing.

Notions of the most efficient marketing system

Apart from countries where specific political doctrines dominate, most governments of the region maintain that the competitive free enterprise marketing system is the most efficient in allocating resources within the economy, subject to the proviso that some government intervention is necessary to ensure that the system functions for the national benefit. Despite these overt declarations, the private enterprise system is under constant attack, often guided by political considerations. In order to understand this apparent conflict between stated government policy and government action, it is necessary to examine the principal paths along which government inroads are made into the free enterprise competitive marketing system.

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Officials are generally convinced that they are well acquainted with the structure of the marketing systems in their own countries. This is far from true, as the complexities of traditional marketing systems are such that no one understands them completely and their intricacy is sufficient in many cases to deter even the most avid researchers. On the other hand, the specialized technical and managerial requirements of a modern integrated marketing system also place government officials at a disadvantage.

Notions of agricultural marketing held by policy makers and researchers are often based upon inaccurate information, or at best half-truths, bequeathed over many years and accepted without question.⁵ Over time and by constant repetition, they have become facts, and even some international research and advisory workers have made the mistake of accepting them uncritically. The disturbing feature of these notions is the strength which they have acquired within government circles. To abandon, or even modify them, will be a long and difficult task,⁶ yet it is one which must be faced immediately.

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- 5 This problem is discussed in relation to agricultural development in Schultz, T.W. Transferring traditional agriculture, New Haven, Conn., Yale University Press, 1965.
 - 6 Ibid, p. 7, "No doubt a lack of economic knowledge breeds doctrines". This is also revealed in other circles; for example, Asian Productivity Organization, Report of development of marketing facilities for agricultural commodities, Tokyo, October 1969, p. 38.

The following notions, which need to be corrected or modified, are considered among the most erroneous, and serve only to retard the development of a more objective approach to agricultural marketing in this region.

The Middlemen⁷

Attack on the free enterprise competitive marketing system centres on a broad group of people and/or institutions falling under the vague term of middlemen. The intensity of feeling against this group, which provides essential marketing functions and services, seems often of staggering proportions to those attempting to keep an open mind on the subject. The negative qualities attributed to the term are now such that it is almost synonymous with antisocial behaviour.⁸ The choice of the word middlemen gives no indication of the essential services which they perform in the marketing of agricultural commodities.

Conversations with government officials at all levels reveal the intensity of feeling against this group and, in fact, mere mention of the term creates an impasse

7 "We like to categorise people because it makes discussion simpler and if we seen a dealer standing between a producer and a consumer we call him a "middleman" and this relieves us of the obligation to think any more deeply about him and to find out the true facts. This is a dangerous oversimplification which may lead to costly errors... Indeed it is about time that the term 'middleman' was discarded altogether". Elliston, G.R. The role of middlemen in the fishing industry of West Malaysia. Review of Agricultural Economics, Malaysia, Kuala Lumpur, 1(2), December 1967, p. 16-17.

8 The same comment can be made about some publications by bi- and multilateral aid programmes. For example: Kwoh, Minhigh. Farmers' associations and their contribution towards agricultural and rural development in Taiwan. Bangkok, FAO Regional Office, 1964. The purpose of the marketing services of the farmers' associations is to eliminate the undue profitability by middlemen", p.31.

in any discussion of the marketing system. In some countries, the feeling toward middlemen may be a reflection of the attitude by nationals toward commerce in general, for example in India. In others, the dominance of the marketing system by aliens has sharpened emotional reaction; for example, the role of Chinese nationals in Thailand, Malaysia, Indonesia and the Philippines.

It is difficult to comment on the allegations against this group based on most frequent complaint. However, the accusation that middlemen pay the farmer a price lower than the real value of the product is common in all countries of the region. Seldom is the concept of real value defined. That farmers are sometimes paid low prices cannot be denied but it is far from a universal fact.⁹ Often the middleman is the first to bring the producer into the money economy, in fact he alone often creates the market. His pioneering activities would warrant higher profits for the services he performs, but these gains also attract others.

Few middlemen actually have the power to pay the farmer low prices at even the village level, as competition among traders is almost a normal feature of the marketing of agricultural products. Often the form of competition is not

9 In areas where the money economy is in its early stages and barter is still practised, merchants both itinerant and local are very well aware that if they pay too low prices, producers will revert to barter. This gives added bargaining strength to producers. This fear by dealers of farmers reverting to barter is mentioned in Janlekha, Kamol. Saraphi : A Survey of socio-economic conditions in a rural community in north-east Thailand, World Land Use Survey, Occasional Paper No.8, London, Geographical Publications, 1968, p.44.

based on price but in terms of services rendered to farmers. Notable among these are services designed to retain the loyalty of producers and to attract new producers; for example, the provision of information on prices, credit arrangements with local stores, direct credit to farmers, free board and lodging, etc. It is also assumed that the middleman always has, or is able to obtain, almost unlimited funds, but some, particularly those from the villages, are faced with the same problem as the producer, namely, inadequate finance to cover a full range of business activities, such as storage, for example.¹⁰ In many instances, the village middleman is a respected citizen of the community, and appreciation of the services performed is reflected in his acceptance by villagers even if he is not a native.¹¹

However, the above is not to be interpreted as a defence of middlemen. They are by no means undeserving of criticism and numerous examples of this can be quoted. However, universal condemnation is not justified. According to Elliston:¹² "Like all professions, 'middlemen' have built up over the years a code of practice which, while it has evolved for the protection of middlemen against bankruptcy due to the hazards and uncertainties of their trade, can be used by the unscrupulous to obtain unfair advantages and illegal rewards and needs to be brought under some degree of control. Second, a system which grew up under one set of conditions may be ill-adapted to the changed circumstances of

10 Sharp, L., H.M. Hauck, Kamol Janlekha and R.R. Textor. Siamese rice village : a preliminary study of Bang Chan 1948-49, Ithaca, N.Y., Cornell Research Centre, June 1953, p. 179.

11 Ibid, p. 182-185.

12 Elliston, op.cit., p.16.

the modern world, and habits which arose as the optimum response to past problems may become rigid, inflexible and harmful in the present situation".

A major criticism levelled against middlemen is their alleged ability to manipulate prices. It is also maintained that the seasonal variability in commodity prices is almost entirely caused by their speculative business behaviour; the term is never defined precisely. This, it is said, is possible because of their control of storage facilities and consequent ability to create artificial scarcities. Such allegations rest on the unusual assumption that traders have perfect knowledge of future supply and demand conditions. Unfortunately, there are few empirical studies which can be quoted as a basis for an attack on this unfounded opinion. Nevertheless, studies are being made available which should be effective in influencing policy makers and their advisers to be more critical in their approach. Relatively simple models of the cost of holding produce over varying lengths of time, using official price data, can often raise doubt regarding the allegation that storage of important foodgrains for speculative practices always results in profit. Many such models have been developed, but little use is made of them by governments.¹³ Often, storing of produce to permit

13 A study of net returns over different periods of storage for wheat in one Indian wheat market indicates their great variability. "In view of the fact that net returns did not consistently cover interest costs, the price risk included in holding wheat appears to be substantial". Cummings, R.W., Jr. Effectiveness of pricing in an Indian wheat market: a case study of Khana, Punjab, American Journal of Agricultural Economics, 50(3), August 1968, p. 700. "One feels that the farmer who lived forever, or at least for a very long time, might profit from adjusting sales to seasonal pattern of prices but that the farmers who lived around Karali during 1959-61 would have regretted taking the appropriate advice." Neale, Walter, Harpal Singh and J.P. Singh. Kurali market: a report on the economic geography of marketing in northern Punjab. Economic Development and Cultural Change, 13(2), January 1965, p.151.

normal business activities in automatically associated with antisocial behaviour.

The fact that the alleged practice of middlemen to buy supplies during the surplus period of the immediate post-harvest and to hold them until the period of relative scarcity later in the season affords benefits to both consumer and producer is rarely considered. Increased purchasing by traders in the postharvest period forces prices up, thus benefiting producers. Release of stocks during the high-price period later in the season has the effect of increasing supplies and so lowering prices, to the benefit of the consumers.

It is also evident that in many countries, for example in India, the large-scale farmers who supply the greater proportion of the marketable surplus of foodgrains have increased considerably their on-farm storage capacity. Therefore, their marketing activities can contribute significantly to seasonal price fluctuations.¹⁴ Unfortunately, few studies have been made of this situation and the implications of the marketing practices of such groups are seldom considered.

14 This point is made by Mellor, J.W. The functions of agricultural prices in economic development. Indian Journal of Agricultural Economics, 23 (1), January-March, 1968, p. 36. Mellor maintains that this is caused by farmers being less well-informed than the traditional trader groups. The argument is developed further in Mellor, J.W. and A.K. Dar. Determination and development implications of foodgrains prices in India 1949-64, American Journal of Agricultural Economics, 50(4), November, 1968, p. 962-974. Reference is made to this situation for maize in the Jaunpur district of Uttar Pradesh in Bhalerao M.M. and Sant Lal. Marketable surplus in maize. Indian Journal of Agricultural Economics. 20(3), July-September, 1965, p.83-86.

The professed lack of competition in markets is also blamed on the middleman, and this is the major basis for government criticism of the private marketing sector. Again, lack of sufficient, carefully conducted empirical studies prevents changes in attitude.¹⁵

There is some evidence to suggest that producers are very often satisfied with the prices and services provided by middlemen.¹⁶ An examination of a large wheat market

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- 15 "Whether a particular market is reasonably competitive or not is an empirical question which can be answered only by field research. Economic theory has provided us many statistical indicators of the degree of competition in the marketing of a commodity. But little rigorous research work has been done in developing countries so far to collect and interpret data on these indicators". Krishna, Raj. The role of the government in agricultural marketing reform, Review of Agricultural Economics, Malaysia, 1(2), December 1967, p.2. The same author refers to this and related misconceptions of agricultural marketing in Agricultural price policy, in Agricultural development and economic growth, ed. by H.M. Southworth and B.F. Johnston, Ithaca, N.Y., Cornell University Press, 1968, p.530-535. A comment on seasonal rice price variation in the Philippines suggests that "the Philippine marketing system operates efficiently in maintaining reasonable levels of seasonal price variation". Barker, R. Price policy and rice production. Paper presented at the International Rice Research Institute (IRRI), Saturday Seminar, October 21, 1967, p.9 (mimeo). This aspect is well covered also in Wharton, C.R. Jr. Marketing, merchandizing and moneylending: a note on middleman monopsony in Malaya. Malayan Economic Review, 7(2), October 1962, p. 24-44.
- 16 A study in Thailand sought farmers' opinions as to whether there was competition among traders to purchase their crops. "71 per cent of farmers reported themselves satisfied with the prices they received". It can be argued that the farmers were underpaid but not aware of the real value of the product. However, the authors state: "It seems to us more probable however that the middlemen do in fact pay a reasonable price". Long, J.F., M.F. Long, A. Kamphol and P. Sawart. Economic and Social conditions among farmers in Changwad Khonkhan. Bangkok, Faculty of Economics and Cooperative Services, Kasetsart University,

in the Punjab of India showed that the market was highly competitive and served effectively as a pricing signal for producers, and that prices reflected supply and demand conditions very well in the areas where government food-zoning regulations were not operating. The study tended to contradict almost all the preconceived notions of the role of middlemen in the marketing of foodgrains in India.¹⁷

Accusations of collusion among middlemen, irrespective of the size of their business operations, are common. Evidence that this is not universal is increasing and their large number is in itself a condition which does not favour collusion. This practice does occur in some cases but usually at points along the marketing chain where the produce is concentrated and few large merchants (it is significant that at this stage their title suddenly changes to the respectable "exporter", "trader", "merchant") operate. Collusion seems to occur in the export trade for the major products in one country of the region, as the association of merchants, operating under government favour, controls the export of a

(F.n. No. 16 contd.)

September 1963, p.52. "One result does seem counter to current views: the farmer does not seem to be as badly off in the market as would appear from reading the texts on the subject. Farmers can withhold produce from the market and are not so weak financially in relation with the arthiyas as they used to be". Neale, W.H. Singh and J. Singh, op.cit. p.167. Similar observations were reported in Muscat, R.J. Development Strategy in Thailand : a study of economic growth, New York, Praeger, 1965, p.166. "One conclusive, if frustrating, proof of the competitive nature of the maize trade was the complete disinterest of maize farmers in Pakchong in efforts of the Ministry of Cooperatives and the U.S. Operations Mission to form a maize marketing cooperative. The proposed cooperative was specifically rejected by the farmers in favour of continued reliance on the competitive maize middlemen".

(For f.n. No.17 see p.19)

number of commodities. The usual complaints in the local press by members of these associations about price cutting by nonmembers tends to point to mutual agreement on prices and business activities by the inner groups.

The list of grievances against middlemen can be multiplied and would serve little further purpose. Suffice it to say that criticism of the private marketing system by government officials is in many cases unfounded. It is unfortunate that empirical studies are still too few or too little known to destroy the major premises on which the attacks on middlemen have been built. But more depressing is the fact that evidence contrary to the accepted notions of decision makers is not always passed on for their consideration by marketing sections, or in some cases by international advisers.

Lack of Integration Between Markets

Stereotyped thinking about the various markets for agricultural commodities in developing countries tends to create the impression that they operate in a vacuum, that they are not related. This is often based on cursory studies of price data for various district markets, which incline to show variations not explained by transport costs, etc. Unfortunately, there has been little study on the integration of markets, although in some countries there is evidence to suggest that one large urban market may be an important mechanism for setting prices for certain

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- 17 Cummings, R.W., Jr. Pricing efficiency in the Indian wheat market, New Delhi, Impex India, 1967, p.203.
Also Cummings, R.W. Effectiveness of pricing in an Indian wheat market : a case study of Khana, Punjab. American Journal of Agricultural Economics, 50(3), August 1968, p.687-701.

commodities, particularly export crops. In Thailand, for example, rice prices in rural areas are closely related to those in Bangkok wholesale markets.¹⁸

Many people immediately assume that markets in developing countries are unrelated because at first sight there appears to be no apparent order in the system. Further inspection, especially of transport facilities, will reveal that the markets and, in particular, those where interdistrict movement (not considering export) is important, are very much related.¹⁹

18 Chuchart, Chaiyong and Tongpan, Sopin. The determination and analysis of policies to support and stabilise agricultural prices and incomes of the Thai farmers, Ministry of National Development, Kasetsart University and South-East Asia Treaty Organization, May 1965, p.53. Also Lele, U.J. Market integration : a study of sorghum prices in Western India, Journal of Farm Economics, 49 (1), February 1967. A recent study of kenaf marketing in Thailand showed that "the farm price level generally reflects quite faithfully overseas demand and supply condition", p.4. The correlation between Thai kenaf prices at farm and London levels was calculated at 0.95, p.49. Smith, E.D. Preliminary analysis of effects of Thai kenaf pricing on the development of the industry : some policy issues. University of Kentucky Contract Team. Agricultural Centre Northeast Thailand. Paper given at the Kenaf Research Conference, Bangkhien, Bangkok, 25 June 1969.

19 This point of unrelated markets and the alleged ability of middlemen to manipulate prices was discussed with senior government officials in a particular country of the region. Prices in two markets were quoted, as they displayed marked variations. However, subsequent investigation revealed that the Government had granted specific monopoly powers, by issuing a trading licence to one individual in each market. These individuals were utilizing their monopoly powers to charge what the market could bear, particularly as one market was expanding rapidly.

It is suggested that examination of markets in most developing countries will show considerable integration and that prices are formed competitively.

"As a result of the interdependence of interstate markets during unzoned periods, market prices reflected supply and demand shared by the competing markets; seasonal price fluctuations, while exceeding storage costs in some months, did not consistently exceed storage costs, and price differences between markets were less than transportation costs on the average.....given the marketing environment for wheat in India, the wheat pricing tended to move toward the norm achievable under pure competition".²⁰

Low Prices in the Immediate Post-harvest Period

Farmers in developing countries are forced to sell their produce immediately after harvest, when prices are low, and this is generally accepted and widely circulated. Prices always reflect, to some extent, the seasonal pattern of production in agriculture. That this situation has been true for many small-scale producers in the past cannot be denied, and that it still occurs in some areas of the countries of the region must be accepted. However, the position is changing rapidly,²¹ and it is most unlikely that it ever seriously affected the large-scale producers who provide the greatest proportion of produce which enters the marketing channel.

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20 Cummings, op.cit., p.107.

21 "Small farms did not sell all of their marketable rice immediately after harvest, as we have thought. They sold more or less rice in the open market all through the year". Ban, Sung Hwan. A Study of the marketing of rice. Suwon, Korea, Department of Agricultural Economics, Seoul National University, 1967, p.53.

As a result of the diversification of agriculture, the structure of agricultural production has changed. Many farmers are no longer forced to rely upon one crop but are growing cash crops which are harvested at different periods than the normal subsistence commodity. In this way, their income-earning pattern is materially altered, so that pressure to sell the subsistence crop immediately after harvest is greatly reduced. The impact of structural and production changes in agriculture is seldom considered in discussions on marketing.

Marketing Margins

Marketing margin studies are one of the most popular undertaken by government marketing sections in the region but only limited use is made of them; seldom are they brought up to date, despite marked changes in the marketing systems, production areas and production techniques. Furthermore, they are used to illustrate the high cost of marketing, and serve as a device to point up the high profits of middlemen.²² However, an examination of the percentage of the retail price going to farmers in developing countries will show that the figure is exceptionally high compared to

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22 "The limited and crude analyses of marketing margins which have been done, however, do not seem to support a hypothesis of substantial exploitation". Behrman, J.R. Supply responses in underdeveloped agriculture : a case study of four major annual crops in Thailand, 1937-63. Amsterdam, North Holland Publishing Co., 1968, p.37.

that in the developed countries.²³ Little attempt is made to evaluate the marketing costs and margins in terms of the services provided along the marketing channels. The evidence produced so far in these studies has not even raised serious questions as to whether marketing margins are excessive in return for the services provided.²⁴

Linked to some extent with the attention given to marketing margins is the contention that traditional marketing systems are grossly inefficient. This uncritical view reflects a lack of knowledge regarding these systems, which often operate efficiently despite their limited physical facilities and restricted finances. For many agricultural and animal products, the marketing chains are effective and

23 India. Economic and Statistical Adviser to the Government, Rice economy of India, New Delhi, Ministry of Food and Agriculture, January 1961. This study showed that the percentage of the consumer price going to the producer for various types of milled and hand-pounded rice, depending on the distance between producing and consuming areas (also on a state basis), ranged from 67 to 81 per cent; p. 30-31. Reference to the misleading attitude to marketing margins is contained in Mellor, J.W. Economics of agricultural development, p.333. "The margin is very low indeed. This has the important implication that simply reducing this margin substantially cannot in itself have a marked effect on agricultural prices--this is true irrespective of whether the margin is the product of efficient marketing, inefficient marketing, collusion or competition".

24 "The crucial question is whether the empirically discovered cost of marketing through traditional channels should be regarded as excessive or not. Usually it is described as excessive in the literature. But it is obvious that there is no such thing as the absolutely right or reasonable cost of marketing, in comparison with which we can judge a particular cost to be excessive. The actual cost under a given marketing system can be described as high or low only when compared with the cost, similarly defined and measured, under an alternative marketing system. We can say that the cost under system A is excessive only when it is demonstrated that the same commodity can be marketed under system B at a lower cost, ceteris paribus, than under system A." Krishna, Raj, op.cit., p. 6-7.

do deliver commodities to consumers at prices within their research. To cite Crotty:²⁵

"Though the fixed capital and equipment used by the Malaysian livestock marketing system may be small in amount and rudimentary in character, the system does manage to market perishable commodities in one of the most difficult climates in the world with apparently little loss. What the marketeers lack in material equipment they apparently make good in versatility, adaptability and judgement. Without this last, given conditions where, in the absence of storage facilities, the market has to be cleared daily, either the merchants would have to carry the loss of surplus stock or prices would be highly erratic. The narrow marketing margins do not permit of such losses being absorbed by merchants and evidence (below) suggests there is little resort to price variation to clear the market".

Remedial action

Although only few of the notions held by governments and in some cases by advisers and other institutions have been mentioned, these are so deeply entrenched that there is little likelihood of any immediate major breakthrough by advocates of a more objective approach to the marketing of agricultural products. Nevertheless, the quantity of the opposing data, still limited to isolated aspects of the subject, is increasing and there is evidence of an improvement in quality.

It is difficult to localize a point of departure from which the first steps can be undertaken to make government

25 Crotty, R. Livestock marketing in west Malaysia. Review of Agricultural Economics, Malaysia, 1 (2), December 1967, p. 80.

decision makers aware of the need for an objective approach to agricultural marketing. The field is new; the respective sections of government service are often inadequately staffed; government machinery does not encourage objective reporting on problems which have an emotional content or run counter to accepted governmental policy, even if it is misconceived. Economic aid advisers who should be in a position to change this are often unable or reluctant to do so for obvious reasons. Universities in many countries have not undertaken any extensive studies and research in this field: in some cases they are unwilling to do too much research, since it may be contradictory to government policy. Furthermore, their connexions with government often cushion any impact they may have on policy.

What then should be done to change the situation so that agricultural marketing can take its place in government planning and services? Although the emphasis has been on the need to dispose of or modify false concepts by government officials, it is recognized that other important areas of the subject matter must be tackled.

To date, agricultural marketing personnel have contributed little to the removal of false notions about their field of study. It has been dominated by people from other but related disciplines. Micro-studies can resolve the problem, since examination in depth can unearth important variations to preconceived notions. Such studies are expensive and time-consuming, but encouragement and the means to conduct research should be made available to government marketing sections. A major obstacle may be the influence

of social factors on the behaviour of personnel engaged in marketing, especially as few are trained in sociology.²⁶

Despite the somewhat negative picture that has been drawn here, there is a small cadre of personnel within the region, both national and international, who are conducting sound agricultural marketing research projects. These are often being done under difficult conditions as regards facilities and quality of support staff. The most serious factor hampering their work is the feeling that their efforts are not appreciated or, worse still, not understood by their superiors. Training is now being initiated by some multi- and bilateral aid programmes, particularly to give staff members within the marketing sections the confidence which they need. The growing number of journals and publications on agricultural marketing within the region in both local and foreign languages is a reflection of this development. However, their circulation tends to be limited, particularly within government ministries and among other countries of the

26 "An analysis of the set-up of the marketing chain in the Rajanang Area by dialectical groups...indicates the clannishness in the social relationship of the Chinese in Sarawak. Though this grouping may follow the clannish distribution in the community level, the social ties presumably have a major role in determining the marketing functional structure". Onn, Chye Dooi. Pepper marketing in Sarawak. Malaysia Review of Agricultural Economics, 1 (2), December 1967, p. 58. Similar evidence was found in Africa. Dean, R. Social determinants of price on several African markets. Economic Development and Cultural Change. 1 (8) Pt. 1, April 1963, p.239-256. "Even if there were higher prices to be obtained elsewhere, one followed one's usual road where there were kinsmen, friends, intimates. If strangers came selling rice, people would not buy from them, but would wait for the man they know". Moerman, M. Agricultural change and peasant choice in a Thai village. Berkeley, University of California Press, 1968, p.14.

region. Greater publicity would do much to raise the status of the service. Unfortunately, some of the material tends to repeat unfounded concepts, particularly in relation to middlemen, and authors are hesitant to state their case clearly. This reluctance will undoubtedly disappear in the near future.

The absence of specific agricultural marketing courses at the universities also contributes to lowering the status of the subject; this situation exists in many developed countries as well. However, once the advanced educational institutions establish special studies in the field of agricultural marketing, acceptance by policy makers will be more rapid. Therefore, in some instances, the onus of raising the status of the subject falls upon the international specialist in government service and at universities and other advanced training establishments. Meanwhile, agricultural marketing sections can do much to help themselves. In every country of the region there is a small core of very capable and dedicated personnel. These people can set about improving the technical quality of their staff by regular in-service training directed at specific problems. Similar programmes should be designed to serve the middle-level workers, for example produce inspectors. In those countries where foreign marketing advisers are available, either with the government, at universities or other academic or research institutions, their assistance should be sought. Greater efforts can also be made to secure for these sections budgets and manpower allocations more in keeping with the range and complexity of their responsibilities.

Despite the tenacity of the erroneous notions about agricultural marketing in government services, the

development of new marketing facilities and services to cater for the expansion of modern agricultural techniques should point up the need for stronger marketing sections. There seems little doubt that, to cope with this development, more specialized marketing facilities and services will be required, such as bulk transport, larger and more sophisticated storage, drying and processing facilities, additional sources of credit for marketing studies of consumer resistance to particular commodities, new marketing institutions, adaption to changing patterns in world and domestic trade, etc. Therefore, the marketing sections should be arranging their future work programmes with an eye on their part in the planning, establishment, and possibly operation of these facilities and services. Research programmes will have to include market development studies, and especially those involving feasibility studies.

It is essential for workers to go out in the field and study the marketing of various agricultural products in practice. While little is still known about existing marketing systems,²⁷ enough information is now becoming available to permit the formulation of some hypotheses, many of which will question the validity of assumptions upon which agricultural marketing policies have

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27 "In general, data regarding the marketing of peasants' agricultural produce and the channels which are followed in the process are very scanty" (Soen, op.cit. p.130)

- 29 -

been founded. Empirical studies in developing countries are more pressing than in most developed nations. Agricultural research workers in the former often have little feeling for agriculture and tend to isolate themselves from the farmer. This situation is even more true at the upper levels of policy making.

"Most educated people in low-income countries have relatively little intuitive feeling for rural conditions and problems. Under such circumstances, it becomes particularly important that creation and systemization of knowledge of agriculture be given high priority. This places a special importance on empirical study of the existing situation in agriculture and continued and careful empirical study of the effect of various development policies".²⁸

Nowhere is this more true than in the field of agricultural marketing.

28 Mellor, op.cit., Economics of agricultural development.
p.4.